



**Auditor of State
Betty Montgomery**

MORGAN COUNTY
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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Morgan County
155 East Main Street
McConnelsville, Ohio 43756

To the Board of County Commissioners:

We have audited the accompanying financial statements of Morgan County, Ohio (the County), as of and for the year ended December 31, 2003. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-2-03 (B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 1, the accompanying financial statements and notes follow the basis of cash receipts and disbursements. This is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, cash equivalents and combined fund cash balances of Morgan County, Ohio, and its discretely presented component units, as of December 31, 2003 and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances for the year then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2004, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 13, 2004

MORGAN COUNTY

COMBINED STATEMENT OF CASH, CASH EQUIVALENTS
AND FUND CASH BALANCES
ALL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS
AS OF DECEMBER 31, 2003

Cash and Cash Equivalents	\$ 4,497,776
Cash in Segregated Accounts	<u>10,096</u>
Total	<u><u>\$ 4,507,872</u></u>

CASH BALANCES BY FUND TYPE

Governmental Funds:	
General Fund	\$ 196,134
Special Revenue Funds	2,264,208
Capital Projects Funds	725,825
Proprietary Funds:	
Internal Service Funds	25,994
Fiduciary Funds:	
Expendable Trust Funds	254,369
Agency Funds	<u>1,031,246</u>
Total - Primary Government	4,497,776
Component Units (Cash Basis):	
Regional Airport Authority	3,000
Mary Hammond Adult Activity Center, Inc.	<u>7,096</u>
Total	<u><u>\$ 4,507,872</u></u>

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

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MORGAN COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

	Governmental Fund Types			Fiduciary Fund Type	Totals
	General	Special Revenue	Capital Projects	Expendable Trust	(Memorandum Only)
Cash Receipts:					
Taxes	\$ 1,721,566	\$ 992,420	\$	\$	\$ 2,713,986
Payment in Lieu of Taxes	8,429	5,493			13,922
Charges for Services	292,887	277,326			570,213
Licenses and Permits	1,735	4,136			5,871
Fines and Forfeitures	106,844	153,889			260,733
Intergovernmental	369,541	8,370,515	52,762		8,792,818
Interest	59,085	6,083			65,168
Rents and Leases	39,956	37,814		190,926	268,696
Refunds and Reimbursements	214,065	451,858			665,923
All Other Receipts	7,170	39,255	963	1,390	48,778
Total Cash Receipts	<u>2,821,278</u>	<u>10,338,789</u>	<u>53,725</u>	<u>192,316</u>	<u>13,406,108</u>
Cash Disbursements:					
General Government:					
Executive and Legislative	1,030,370	669,164		145,400	1,844,934
Judicial	424,194	18,280			442,474
Public Safety	657,598	929,227			1,586,825
Public Works		3,262,631	52,762		3,315,393
Health	28,108	19,551			47,659
Human Services	161,814	5,446,365			5,608,179
Conservation-Recreation	29,835				29,835
Miscellaneous	772,598				772,598
Capital Outlay			29,494		29,494
Debt Service:					
Principal Payment	8,050	83,587	2,250,000		2,341,637
Interest and Fiscal Charges	6,053	16,071	21,150		43,274
Total Cash Disbursements	<u>3,118,620</u>	<u>10,444,876</u>	<u>2,353,406</u>	<u>145,400</u>	<u>16,062,302</u>
Excess of Cash Receipts Over/ (Under) Cash Disbursements	<u>(297,342)</u>	<u>(106,087)</u>	<u>(2,299,681)</u>	<u>46,916</u>	<u>(2,656,194)</u>
Other Financing Receipts/(Disbursements):					
Proceeds of Bonds			2,000,000		2,000,000
Proceeds from Sale of Assets	305,266		725,825		1,031,091
Operating Transfers-In		98,740			98,740
Operating Transfers-Out	(98,740)				(98,740)
Operating Advances-In		15,457			15,457
Operating Advances-Out	(15,457)				(15,457)
Other Financing Sources	17,942	147,310			165,252
Other Financing Uses	(6,026)				(6,026)
Total Other Financing Receipts/(Disbursements)	<u>202,985</u>	<u>261,507</u>	<u>2,725,825</u>		<u>3,190,317</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing (Disbursements)	<u>(94,357)</u>	<u>155,420</u>	<u>426,144</u>	<u>46,916</u>	<u>534,123</u>
Fund Cash Balances, January 1	<u>290,491</u>	<u>2,108,788</u>	<u>299,681</u>	<u>207,453</u>	<u>2,906,413</u>
Fund Cash Balances, December 31	<u>\$ 196,134</u>	<u>\$ 2,264,208</u>	<u>\$ 725,825</u>	<u>\$ 254,369</u>	<u>\$ 3,440,536</u>

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

MORGAN COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES
IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2003

	Proprietary Fund Type	Fiduciary Fund Types	Totals (Memorandum Only)
	Internal Service	Agency	Primary Government
Operating Cash Receipts:			
Charges for Services	\$ 5,432	\$	\$ 5,432
Interest			
Support Services			
Donations			
Reimbursements			
Other			
Total Operating Cash Receipts	5,432	0	5,432
Operating Cash Disbursements:			
Personal Services - Salaries	8,734		8,734
Contract Services	23,147		23,147
Supplies and Materials	1,443		1,443
Facility Fees			
Support Services			
Equipment			
Fuel, Maintenance and Repairs			
Insurance			
Other Operating Disbursements			
Total Operating Cash Disbursements	33,324	0	33,324
Operating Income/(Loss)	(27,892)	0	(27,892)
Nonoperating Cash Receipts/(Disbursements):			
Intergovernmental Receipts	2,000		2,000
Debt Service			
Other Nonoperating Receipts	12,112	23,519,740	23,531,852
Other Nonoperating Disbursements		(23,403,799)	(23,403,799)
Total Nonoperating Cash Receipts/ (Disbursements)	14,112	115,941	130,053
Net Income/(Loss)	(13,780)	115,941	102,161
Fund Cash Balances, January 1	39,774	915,305	955,079
Fund Cash Balances, December 31	\$ 25,994	\$ 1,031,246	\$ 1,057,240

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

Component Unit	Component Unit	Totals (Memorandum Only)
Regional Airport Authority	Mary Hammond Adult Activity Center, Inc.	Reporting Entity
\$ 2,945	\$ 235,855	\$ 244,232
105	25	130
	66,826	66,826
	2,727	2,727
	3,867	3,867
	1,318	1,318
3,050	310,618	319,100
703	169,635	179,072
2,593	10,104	35,844
2,081	8,306	11,830
	37,814	37,814
	33,494	33,494
	14,259	14,259
	11,362	11,362
	1,385	1,385
583	9,441	10,024
5,960	295,800	335,084
(2,910)	14,818	(15,984)
1,147		3,147
	(18,507)	(18,507)
		23,531,852
		(23,403,799)
1,147	(18,507)	112,693
(1,763)	(3,689)	96,709
4,763	10,785	970,627
\$ 3,000	\$ 7,096	\$ 1,067,336

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MORGAN COUNTY

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL -
ALL BUDGETED FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental			
General	\$ 3,242,028	\$ 3,144,486	\$ (97,542)
Special Revenue	11,124,666	10,584,839	(539,827)
Capital Projects	118,741	2,779,550	2,660,809
Proprietary			
Internal Service	32,612	19,544	(13,068)
Fiduciary			
Expendable Trust	182,450	192,316	9,866
Totals (Memorandum Only)	<u>\$ 14,700,497</u>	<u>\$ 16,720,735</u>	<u>\$ 2,020,238</u>

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

MORGAN COUNTY

COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES
 COMPARED WITH EXPENDITURE AUTHORITY
 ALL BUDGETED FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2003

Fund Types/Funds	Prior Year Carryover Appropriations	Appropriations	Total
Governmental			
General	\$ 9,473	\$ 3,302,830	\$ 3,312,303
Special Revenue	651,081	11,651,487	12,302,568
Capital Projects	29,495	409,394	438,889
Proprietary			
Internal Service	9,186	184,235	193,421
Fiduciary			
Expendable Trust	6,718	156,305	163,023
Totals (Memorandum Only)	<u>\$ 705,953</u>	<u>\$ 15,704,251</u>	<u>\$ 16,410,204</u>

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

<u>Disbursements</u>	<u>Encumbrances Outstanding 12/31/2003</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 3,223,386	\$ 21,656	\$ 3,245,042	\$ 67,261
10,444,876	512,894	10,957,770	1,344,798
2,353,406		2,353,406	(1,914,517)
33,324		33,324	160,097
145,400	13,283	158,683	4,340
<u>\$ 16,200,392</u>	<u>\$ 547,833</u>	<u>\$ 16,748,225</u>	<u>\$ (338,021)</u>

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MORGAN COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Reporting Entity

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

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

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

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

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the program's governing board and (1) the County is able to significantly influence the programs of services performed or provided by the organization; or (2) the County is legally entitled to or can access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations for which the County approves the budget, the levying of taxes, or the issuance of debt.

The component unit columns in the combined financial statements identify the financial data of the County's component units, Mary Hammond Adult Activity Center, Inc. and Morgan County Regional Airport Authority. They are discretely reported to emphasize that they are legally separate from the County.

Component Units

- ❖ The Mary Hammond Adult Activity Center, Inc. (the Workshop) is a legally separate, not-for-profit corporation, served by a self-appointing Board of Trustees. The Program is under a contractual agreement with the Morgan County Board of Mental Retardation and Developmental Disabilities (MRDD) to provide sheltered employment for mentally retarded or handicapped adults in the County. MRDD provides the Workshop with staff salaries, transportation, equipment (except that used directly in the production of goods or rendering of services), staff to administer and supervise training programs, and other funds as necessary for the operation of the Workshop. Based on the significant services and resources provided by the County to the Workshop and the sole purpose of the Workshop to provide assistance to the retarded and handicapped adults of the County, the Workshop is considered to be a component unit of Morgan County and is discretely presented. Additional disclosures can be found in Note 11.

MORGAN COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Description of the Reporting Entity (Continued)

Component Units (Continued)

- ❖ The Morgan County Regional Airport Authority (the Authority) was created by resolution of the County Commissioners under Ohio Rev. Code Section 308.01. The purpose of the Authority is for the acquisition, construction, operation and maintenance of airports and airport facilities in the County. The Authority operates under the direction of a three-member Board of Trustees, appointed by the County Commissioners. A Secretary-Treasurer is responsible for the fiscal accounting of the resources of the Authority. Services provided by the Authority include the means by which to aid the safe taking off and landing of aircraft, storage and maintenance of aircraft, and the safe and efficient operation and maintenance of the airport. The Authority is considered to be a component unit of Morgan County and is discretely presented. Additional disclosures can be found in Note 11.

Separate Agencies

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

- ❖ The Morgan County District Board of Health (the District) is governed by a Board of Trustees which oversees the operation of the District and is elected by a regional advisory council comprised of township trustees, mayors of participating municipalities, and one County Commissioner. The District adopts its own budget and operates autonomously from the County. Funding is based on a rate per taxable valuation, along with various state and federal grants applied for by the District.
- ❖ The Morgan County Soil and Water Conservation District (Conservation District) is statutorily created as a separate and distinct political subdivision within the State. The five supervisors of the Conservation District are elected officials authorized to contract and sue on behalf of the Conservation District. The supervisors adopt their own budget, authorize Conservation District expenditures, hire and fire staff, and do not rely on the County to finance deficits.

Other Organizations

The County is also associated with certain organizations which are defined as insurance purchasing pools and jointly-governed organizations. These organizations are presented in Notes 5 and 10 to the financial statements. The organizations are as follows:

- ❖ Ohio Government Risk Management Plan
- ❖ County Commissioners Association of Ohio Workers' Compensation Group Rating Plan
- ❖ Washington-Morgan Community Action Corporation
- ❖ Buckeye Hills-Hocking Valley Regional Development District
- ❖ Joint Solid Waste District
- ❖ Mental Health and Recovery Services Board of Muskingum County
- ❖ Morgan County Family and Children First Council

MORGAN COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its annual financial report in accordance with generally accepted accounting principles, the County chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. The basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

C. Cash and Cash Equivalents

Cash and cash equivalents consist of the total of fund cash balances of all funds as of December 31, 2003. County funds are maintained in checking accounts, as well as being invested in eighteen month, 12 month, and five-year certificates of deposit and in an asset management account which includes a First American Treasury Money Market Fund and a Federal Home Loan Bank Discount Note. Individual fund integrity is maintained through the County's records.

D. Fund Accounting

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

1. Governmental Fund Types:

General Fund

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

Special Revenue Funds

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

Capital Project Funds

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

MORGAN COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Proprietary Fund Type:

Internal Service Funds

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

3. Fiduciary Fund Types:

Trust and Agency Funds

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

E. Budgetary Process

1. Budget

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

2. Estimated Resources

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

3. Appropriations

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

MORGAN COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

4. Encumbrances

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

F. Property, Plant and Equipment

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

G. Accumulated Unpaid Vacation and Sick Leave

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 basis of accounting.

H. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data. The total column for the reporting entity reported on the Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balance – Proprietary and Similar Fiduciary Fund Types and Discretely Presented Component Units includes the primary government, the Mary Hammond Adult Activity Center, Inc. and the Morgan County Regional Airport Authority.

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

Monies held by the County are classified by the State statute into two categories. Active monies are public monies determined to be necessary to meet current demand upon the County treasury. Active monies must be maintained as either 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 in the following securities:

- A. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

MORGAN COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

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

- B. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- C. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
- D. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
- E. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
- F. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- G. The State Treasurer's investment pool (STAR Ohio);
- H. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
- I. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio; and
- J. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio.

Investments in stripped principal and interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation and by eligible securities pledged by the financial institution as security for repayment.

MORGAN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

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

The carrying amount of cash and investments at December 31, 2003 was as follows:

Demand deposits	\$3,132,859
Certificates of deposit	<u>1,250,000</u>
Total deposits	4,382,859
Federal Home Loan Bank Discount Note	<u>114,917</u>
Total investments	114,917
Total deposits and investments	<u><u>\$4,497,776</u></u>

Deposits: At year-end, the bank balance was \$4,703,293. Of the bank balance:

- A. \$469,828 was covered by federal depository insurance;
- B. \$4,231,605 was covered by pooled collateral pledged to secure all public funds on deposit. Although all Ohio statutory requirements for the collateralization of deposits had been followed, noncompliance with the Financial Institutions Reform, Recovery and Enforcement Act of 1989 could potentially prevent the County from exercising a successful claim as a secured creditor against the FDIC and render them a general creditor for the uncollateralized amount;
- C. \$1,860 was collateralized by securities held by a third party bank in the name of the County.

Investments: The Federal Home Loan Bank Discount Note is held in book-entry form by the Federal Reserve, in the name of the County's financial institution. The financial institution maintains records identifying the County as owner of this security.

3. PROPERTY TAX

Real property taxes are levied on assessed values which equal 35% of appraised values. The County Auditor reappraises all real property every six years with a triennial update. The last reappraisal was completed for tax year 2000.

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

The full tax rate applied to real property for the fiscal year ended December 31, 2003, was \$9.07 per \$1,000 of assessed valuation as of January 1, 2003. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$6.97 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$8.05 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the County by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the fiscal year ended December 31, 2003, was \$9.07 per \$1,000 of assessed valuation as of December 31, 2002.

MORGAN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

3. PROPERTY TAX (Continued)

The assessed values of property upon which 2003 property tax rates were based are as follows:

Real Property	
Residential/Agricultural	\$ 123,444,970
Commercial/Industrial/Mineral	27,619,680
Public Utilities	87,160
Tangible Personal Property	
General	23,731,110
Public Utilities	<u>50,974,070</u>
Total Valuation	<u>\$ 225,856,990</u>

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

4. LOCAL SALES TAX

For the purpose of providing additional revenues, the County has levied a sales tax at the rate of 1.5 percent upon certain retail sales made in the County. Local sales tax receipts are credited to the General Fund and amounted to \$955,463 in 2003.

5. RISK MANAGEMENT

Risk Pool Membership - Ohio Government Risk Management Plan

The County belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with approximately 500 public entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2003:

	2003
Assets	\$5,402,167
Liabilities	(1,871,123)
Members' Equity	\$3,531,044

The Plan uses conventional insurance coverages and reinsures these coverages. The Plan retains a small portion of the risk as identified in the Plan's financial statements presented on the website at www.ohioplan.com. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

MORGAN COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

5. RISK MANAGEMENT (Continued)

Risk Pool Membership - Ohio Government Risk Management Plan (Continued)

Coverage provided to the County by the program is as follows:

<u>Policy Type</u>	<u>Annual/ Aggregate Coverages</u>	<u>Deductible</u>
Property	\$17,611,284	\$1,000
General Liability	\$1,000,000/\$3,000,000	\$0
Wrongful Acts/Public Officials Liability	\$1,000,000/\$3,000,000	\$5,000
Employer's Liability	\$1,000,000	\$0
Employee Benefits Liability	\$1,000,000/\$3,000,000	\$0
Law Enforcement	\$1,000,000/\$3,000,000	\$5,000
Automobile	\$1,000,000	\$0
Bond	\$250,000	\$0
Crime:		
Theft, Disappearance, Destruction	\$50,000	\$0
Public Employee Dishonesty	\$250,000	\$0
Forgery or Alteration	\$5,000	\$0
Computer Fraud	\$50,000	\$100
Inland Marine	\$1,320,419	\$1,000
EDP	\$500,000	\$1,000

The County participated in the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool 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 Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants.

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

The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to counties that can meet the Plan's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the Plan. Each year, the County pays an enrollment fee to the Plan to cover the costs of administering the program.

MORGAN COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

5. RISK MANAGEMENT (Continued)

Risk Pool Membership - Ohio Government Risk Management Plan (Continued)

The County may withdraw from the Plan if written notice is provided sixty days prior to the prescribed application deadline of the Ohio Bureau of Workers' Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the Plan prior to withdrawal, and any participant leaving the Plan allows the representative of the Plan to access loss experience for three years following the last year of participation. The County pays the State Bureau of Worker's Compensation System a premium based on a rate per \$100 salary. This rate is calculated based upon accident history and administrative costs.

6. RETIREMENT SYSTEM

Ohio Public Employees Retirement System (OPERS)

The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

For the year ended December 31, 2003, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The County's contribution rate for pension benefits for 2003 was 8.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 16.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2003, 2002, and 2001 were \$641,337, \$636,863, and \$608,478 respectively; 100 percent has been contributed for 2003, 2002 and 2001. There were no contributions to the member-directed plan for 2003.

MORGAN COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

7. POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System (PERS)

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2003 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 5.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 364,881. The County's actual employer contributions for 2003 which were used to fund postemployment benefits were \$234,157. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2002, (the latest information available) were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

In response to the adverse investment returns experienced by OPERS from 2000 through 2002 and the continued staggering rate of health care inflation, the OPERS Board, during 2003, considered extending "Choices" type cost cutting measures to all active members and benefit recipients. The Board has not determined the exact changes that will be made to the health care plan.

MORGAN COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

8. DEBT OBLIGATIONS

Debt outstanding at December 31, 2003, consisted of the following:

	<u>Principal</u>	<u>Interest Rates</u>
General Obligation County Garage Facility Note	\$150,648	5.370%
Ohio Water Development Authority Loan	140,857	4.120%
Sales Tax Supported Building Improvement Limited Tax General Obligation Bonds	2,000,000	4.625%
Tax Increment Financing Loan	87,048	4.983%
Total	<u>\$ 2,378,553</u>	

The County issued a general obligation construction note to finance the building of a new County Garage in 1999. The full faith and credit of the County has been pledged to repay this debt. Gasoline and Motor Vehicle License Tax monies are being used to repay this debt. This note was refinanced in March 2004 through a local bank at a 3.25 percent interest rate for three years.

Proceeds from the Ohio Water Development Authority loan were used to pay for a study to determine the cap, leachate management, explosive gas monitoring, ground water monitoring and other technical services to close the County's landfill. General Fund monies are being used to repay this debt.

The County issued a general obligation bond anticipation note in 2001 to finance the renovation of a county building to provide county offices. The County refinanced the note with the U.S. Department of Agriculture on February 27, 2003 by issuing \$2,000,000 in Sales Tax Supported Building Improvement Limited Tax General Obligation Bonds.

The County obtained a tax increment financing loan in 2001. Proceeds from this loan will be used to pay for water line chlorination systems and a bulk station to provide potable water for industry. Tax Increment Financing service payments are being used to repay this debt along with some General Fund monies.

The annual requirements to amortize debt outstanding as of December 31, 2003, including interest payments, are as follows:

<u>Year Ending December 31</u>	<u>County Garage Facility Note</u>	<u>OWDA Loan</u>	<u>G.O. Bonds</u>	<u>Tax Increment Financing Loan</u>	<u>Total</u>
2004	\$157,234	\$14,103	\$124,600	\$7,444	\$303,381
2005	0	14,103	124,600	7,289	145,992
2006	0	14,103	124,600	7,134	145,837
2007	0	14,103	124,600	6,979	145,682
2008	0	14,103	124,600	6,825	145,528
2009 – 2013	0	70,516	623,000	31,801	725,317
2014– 2018	0	49,361	623,000	27,930	700,291
2019 – 2023	0	0	623,000	24,060	647,060
2024 – 2028	0	0	623,000	20,189	643,189
2029– 2033	0	0	623,000	13,364	636,364
Total	<u>\$157,234</u>	<u>\$190,392</u>	<u>\$3,738,000</u>	<u>\$153,015</u>	<u>\$4,238,641</u>

MORGAN COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

9. MORGAN COUNTY LANDFILL

The Commissioners leased the land from F. E. and Eileen Haines to operate the Morgan County Landfill (the Facility). William Miller was the operator and license holder for the Facility from 1974 to 1988, when the Facility was closed. The Ohio Administrative Code requires the operator to complete certain environmental remediation to the Facility within sixty days after closing and to maintain the site after closure. Subsequent to the closure on September 1, 1988, the Ohio Environmental Protection Agency (OEPA) conducted inspections and documented various violations of closure requirements. On February 13, 1995, the Director of the OEPA issued Final Findings and Orders to the Morgan County Commissioners, F. E. and Eileen Haines, and William R. Miller concerning violations of closure and post-closure requirements. Post-closure requirements extend 30 years beyond the closure date.

As a result of the 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.

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.

10. JOINTLY GOVERNED ORGANIZATIONS

Washington-Morgan Community Action Corporation

The Washington-Morgan Community Action Corporation (the Corporation) is operated as a not-for-profit organization formed to provide various programs in Morgan and Washington Counties. Currently, the Corporation administers the Family Service and Outreach Program, the Child Development Program, the Community Action Bus Line, the Senior Nutrition Program, the Women, Infants, and Children's Supplemental Nutrition Program, the Home Weatherization Assistance and Energy Program, the Job Training and Partnership Act Program, the Housing and Urban Development Section 8 Existing Housing Voucher/Certificate Program, and various other federal and state programs. The Corporation is the direct recipient of federal and state monies. The Corporation is governed by a fifteen member council. The Council is composed of the Mayor of the City of Marietta, Mayor of the City of Belpre, two commissioners from Washington County, one Commissioner from Morgan County, five lower income representatives, and five private sector representatives from Morgan and Washington Counties selected by Outreach workers. Currently, the Corporation, by contract with the City of Marietta, Morgan County, and Washington County, provides administrative services to these governments in specific programs. The continued existence of the Corporation is not dependent upon the County's continued participation and no equity interest exists.

MORGAN COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

10. JOINTLY GOVERNED ORGANIZATIONS (Continued)

Buckeye Hills-Hocking Valley Regional Development District

The Buckeye Hills-Hocking Valley Regional Development District (the District) serves as the Area Agency on Aging for Athens, Hocking, Meigs, Monroe, Morgan, Noble, Perry and Washington Counties. The District was created to foster a cooperative effort in regional planning, programming and implanting plans and programs. The District is governed by a fifteen member board of directors. The Board is composed of one county commissioner from each county, one member from the City of Athens, one member from the City of Marietta, four at-large members appointed from the ten government members, and one member from the minority sector. The Board has total control over budgeting, personnel, and all other financial matters. The continued existence of the District is not dependent upon the County's continued participation and no equity interest exists.

Joint Solid Waste District

The County is a member of the Joint Solid Waste District (the District) which consists of Guernsey, Monroe, Morgan, Muskingum, Noble and Washington Counties. The purpose of the District is to make disposal of waste in the six-county area more comprehensive in terms of recycling, incinerating, and land filling. The District was created in 1989 as required by the Ohio Revised Code. The District is governed and operated through three groups. An eighteen member board of directors, composed of three commissioners from each county, is responsible for the District's financial matters. Financial records are maintained by the Noble County Auditor. The District's sole revenue source is a waste disposal fee for in-district and out-of-district waste. Although the County contributed amounts to the District at the time of its creation, no contributions have been made for 2003. No future contributions from the County are anticipated. A thirty-one member policy committee, composed of five members from each county and one at-large member appointed by the policy committee, is responsible for preparing the solid waste management plan of the District in conjunction with a Technical Advisory Council, whose members are appointed by the policy committee. The continued existence of the District is not dependent upon the County's continued participation, no equity interest exists, and no debt is outstanding.

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 County Treasurer are responsible for fiscal control of the resources of the Board, the Board is responsible for budgeting and accounting for the resources at its disposal. Membership on the Board is based upon Ohio law. The continued existence of the Board is not dependent upon the County's continued participation and no equity interest exists.

MORGAN COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

10. JOINTLY GOVERNED ORGANIZATIONS (Continued)

Morgan County Family and Children First Council

The Morgan County Family and Children First Council (the Council) is a jointly governed organization created under Ohio Rev. Code Section 121.37. The Council is made up of the following members: the Director of the Board of Alcohol, Drug Addiction, and Mental Health Services, Health Commissioner of the Morgan County District Board of Health, the Director of the Morgan County Department of Job and Family Services, the Director of the Morgan County Children Services Board, the Superintendent of the Morgan County Mental Retardation and Development Disabilities, the Juvenile Court Judge, Superintendent of Morgan County Schools, the Mayor of the Village of McConnelsville, the President of the Morgan County Commissioners, the State Department of Youth Services Regional representative, representative from the County Head Start Agencies, a representative of the County's Early Intervention Collaborative established pursuant to the federal early intervention program operated under the "Education of the Handicapped Act Amendments of 1986", and at least three individuals representing the interests of families in the County. When possible, the number of members representing families shall be equal to twenty percent of the Council's remaining membership. In 2003, the County made no contributions to the Council. The Washington-Morgan Community Action Corporation serves as the fiscal agent for the Council. The Morgan County Commissioners serve as the administrative agent for the Council. The continued existence of the Council is not dependent on the County's continued participation, no equity interest exists, and no debt is outstanding.

11. COMPONENT UNIT DISCLOSURES

A. MORGAN COUNTY REGIONAL AIRPORT AUTHORITY

The following are the Morgan County Regional Airport Authority (the Authority) notes to the financial statements for the year ended December 31, 2003:

Summary of Significant Accounting Policies

Basis of Presentation: The Summary of Significant Accounting Policies is presented to assist in understanding the Authority's financial statements. The financial statements and notes are representations of the Authority's management, who are responsible for their integrity and objectivity. These accounting policies conform to the basis of accounting prescribed or permitted by the Auditor of State. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

Liability for Income Taxes: The Authority is exempt from income tax under Section 501(c)(3) of Internal Revenue Code.

Cash and Cash Equivalents: The Authority considers deposits with maturities of twelve months or less to be cash equivalents.

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

Cash and Cash Equivalents

At December 31, 2003, the carrying amount of the Authority's deposits was \$3,000 and the bank balance was \$3,000. The bank balance was covered by federal depository insurance.

MORGAN COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

11. COMPONENT UNIT DISCLOSURES (Continued)

B. MARY HAMMOND ADULT ACTIVITY CENTER, INC.

The following are the Mary Hammond Adult Activity Center, Inc. (the Workshop) notes to the financial statements for the year ended December 31, 2003:

Summary of Significant Accounting Policies

Basis of Presentation: The Summary of Significant Accounting Policies is presented to assist in understanding the Workshop's financial statements. The financial statements and notes are representations of the Workshop's management, who are responsible for their integrity and objectivity. These accounting policies conform to the basis of accounting prescribed or permitted by the Auditor of State. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

Liability for Income Taxes: The Workshop is exempt from income tax under Section 501(c)(3) of Internal Revenue Code.

Cash and Cash Equivalents: The Workshop considers deposits with maturities of twelve months or less to be cash equivalents.

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

Cash and Cash Equivalents

At December 31, 2003, the carrying amount of the Workshop's deposits was \$7,096 and the bank balance was \$3,384. The bank balance was covered by federal depository insurance.

Debt

In July 2002, the Workshop purchased two automatic baggers from Portage Packaging to be used in the operations of the Workshop. Portage Packaging financed this purchase under the terms the Workshop would make monthly payments of \$1,334 for 12 months at a 6.72 percent interest rate. During 2003, the Workshop retired this debt paying \$10,840, including interest of \$840.

On July 25, 2001, the Workshop opened a line of credit with North Valley Bank for \$7,650 with an interest rate of 6.5 percent. Each year this line of credit is renewed. During 2003, \$5,166 of this debt, including interest of \$166, was retired by the Workshop.

In August 1998, the Workshop financed \$16,005 for the purchase of a truck to be used in the operations of the Workshop. The debt had an interest rate of 7.75 percent and is collateralized by the truck. During 2003, the Workshop retired this debt by a payment of \$2,585, including interest of \$132.

Related Party Transactions

During 2003, Morgan County provided facilities, certain equipment, transportation, and salaries for administration, implementation, and supervision of programs to the Workshop. These in-kind contributions were valued at \$66,826. Additional habilitative services provided directly to Workshop's clients by Morgan County amounted to \$299,063 during 2003.

The in-kind contributions are reflected in the Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances as "Support Services" receipts and correspondingly as Personal Services – Salaries and "Support Services" disbursements.

MORGAN COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

12. CONTINGENCIES

A. Grants

The County received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the County at December 31, 2003.

B. Litigation

The County is party to several lawsuits and other litigation. The ultimate outcome of this litigation, and its effect on the financial statements, if any, cannot be determined at this time.

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MORGAN COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003

FEDERAL GRANTOR Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Number	Receipts	Expenditures
UNITED STATES DEPARTMENT OF AGRICULTURE				
<i>Direct from the Federal Government:</i>				
Community Facilities Loans and Grants	10.766	N/A	\$0	\$30,387
Total United States Department of Agriculture			0	30,387
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<i>Passed through the Ohio Department of Development:</i>				
Community Development Block Grants/State's Program	14.228	BF-01-053-1	50,000	50,000
		BF-02-053-1	50,530	50,530
Total Community Development Block Grants/State's Program			100,530	100,530
HOME Investment Partnerships Program	14.239	BC-02-053-1	26,701	21,850
		BC-02-053-2	136,731	132,294
Total HOME Investment Partnerships Program			163,432	154,144
Total United States Department of Housing and Urban Development			263,962	254,674
UNITED STATES DEPARTMENT OF JUSTICE				
<i>Passed through the Ohio Department of Youth Services</i>				
Juvenile Accountability Incentive Block Grants	16.523	2001-JB-013-A250	13,888	4,073
<i>Passed through the Ohio Attorney General's Office:</i>				
Crime Victim Assistance	16.575	2003VAGENE335	17,389	17,630
		2004VAGENE336	5,798	5,495
Total Crime Victim Assistance			23,187	23,125
<i>Passed through the Governor's Office of Criminal Justice Services and the Village of McConnellsville:</i>				
Violence Against Women Formula Grants	16.588	2001-WF-VA2-8423	3,790	10,033
		2002-WF-VA2-8423	21,750	20,253
Total Violence Against Women Formula Grants			25,540	30,286
Total United States Department of Justice			62,615	57,484
UNITED STATES DEPARTMENT OF LABOR				
<i>Passed through the Ohio Department of Job and Family Services:</i>				
Dislocated Worker Technical Assistance and Training (Malta Windows Project)	17.246	EM-11159-01-600H-03	80,000	185,670
<i>Workforce Investment Act Cluster</i>				
WIA Adult	17.258	N/A	267,467	187,336
WIA Adult Administrative			34,122	2,265
WIA Adult Total			301,589	189,601
WIA Youth	17.259	N/A	132,935	325,383
WIA Youth Administrative			17,061	1,133
WIA Youth Total			149,996	326,516
WIA Dislocated Worker	17.260	N/A	178,047	209,482
WIA Dislocated Worker Administrative			22,995	1,527
WIA Dislocated Worker Total			201,042	211,009
WIA Dislocated Worker (Rapid Response)	17.260	N/A	100,000	142,396
WIA Dislocated Worker (State Manufacturing Grant)	17.260	EM-11159-01-60	125,000	150,916
<i>Passed through the Ohio Department of Job and Family Services and the Ohio Valley Employment Resource:</i>				
WIA Dislocated Worker (Central Ohio Coal/Windsor Project)	17.260	N/A	72,596	72,596
Total WIA Dislocated Worker (CFDA 17.260)			498,638	576,917
Total Workforce Investment Act Cluster			950,223	1,093,034
Total United States Department of Labor			1,030,223	1,278,704
UNITED STATES DEPARTMENT OF TRANSPORTATION				
<i>Passed through the Ohio Emergency Management Agency:</i>				
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	N/A	1,033	0
Total United States Department of Transportation			1,033	0
APPALACHIAN REGIONAL COMMISSION				
<i>Direct from the Federal Government:</i>				
Appalachian Regional Development Grant	23.001	OH-14120-02	143,034	143,034
Total Appalachian Regional Commission			143,034	143,034
GENERAL SERVICES ADMINISTRATION				
<i>Direct from the Federal Government:</i>				
Election Reform Payments	39.011	04-SOS-HAVA-58	6,000	0
Total General Services Administration			6,000	0

MORGAN COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003

FEDERAL GRANTOR Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Number	Receipts	Expenditures
UNITED STATES DEPARTMENT OF EDUCATION				
<i>Passed through the Ohio Department of Health:</i>				
Special Education - Grants for Infants and Families with Disabilities	84.181	58-1-002-1-EG-03 58-1-002-1-EG-04	14,000 <u>24,005</u>	14,000 <u>24,005</u>
Total Special Education - Grants for Infants and Families with Disabilities			<u>38,005</u>	<u>38,005</u>
Total United States Department of Education			38,005	38,005
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities:</i>				
Social Services Block Grant	93.667	N/A	19,510	19,510
Medical Assistance Program (Medicaid)	93.778	N/A	<u>247,403</u>	<u>247,403</u>
Total United States Department of Health and Human Services			266,913	266,913
UNITED STATES DEPARTMENT OF HOMELAND SECURITY				
<i>Passed through the Ohio Emergency Management Agency:</i>				
State Domestic Preparedness Equipment Support Program	97.004	2001-TE-CX-0016 2002-TE-CX-0049 2002-TE-CX-0106 2002-TE-CX-0106 2003-TE-TX-0199 2003-MUP-30015	1,471 0 10,510 656 19,273 44,380 <u>76,290</u>	1,471 6,113 10,510 656 19,273 44,380 <u>82,403</u>
Total State Domestic Preparedness Equipment Support Program			76,290	82,403
Public Assistance Grants	97.036	FEMA-1453-DR-115-05BOA	173,947	173,947
State and Local All Hazards Emergency Operations Planning	97.051	EMC-2003-GR-7026	<u>22,915</u>	<u>22,323</u>
Total United States Department of Homeland Security			<u>273,152</u>	<u>278,673</u>
Total Federal Awards Receipts and Expenditures			<u>\$2,084,937</u>	<u>\$2,347,874</u>

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

MORGAN COUNTY

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
DECEMBER 31, 2003**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SUBRECIPIENTS

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

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

NOTE C - MATCHING REQUIREMENTS

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

NOTE D – U.S. DEPARTMENT OF HOMELAND SECURITY FEDERAL AWARDS

The Federal Homeland Security Act of 2002 established the Department of Homeland Security (the Department) to consolidate functions of other Federal agencies related to homeland security. Effective January 24, 2003, the Department began to administer certain Federal awards the County previously received from other Federal agencies. The accompanying Schedule of Federal Awards Receipts and Expenditures reflects all 2003 award amounts under the Department's Catalog of Federal Domestic Assistance (CFDA) numbers. The purposes and compliance requirements of these programs has not changed. A comparison of the Federal agencies' CFDA numbers under which the County was originally awarded this assistance compared with the Department's current CFDA numbers reported in the 2003 Schedule follows:

Previous Federal Agency	CFDA No. used for 2002	Homeland Security CFDA No. used for 2003
Department of Justice	16.007	97.004
Federal Emergency Management Agency	83.544	97.036
Federal Emergency Management Agency	83.562	97.051

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**Auditor of State
Betty Montgomery**

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

Morgan County
155 East Main Street
McConnelsville, Ohio 43756

To the Board of County Commissioners:

We have audited the accompanying financial statements of Morgan County, Ohio (the County), as of and for the year ended December 31, 2003, and have issued our report thereon dated December 13, 2004, wherein we noted that the County had not adopted generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2003-001 and 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated December 13, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the County in a separate letter dated December 13, 2004.

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www.auditor.state.oh.us

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 13, 2004



Auditor of State Betty Montgomery

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

Morgan County
155 East Main Street
McConelsville, Ohio 43756

To the Board of County Commissioners:

Compliance

We have audited the compliance of Morgan County, Ohio (the County), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2003. The County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

As described in item 2003-003 in the accompanying Schedule of Findings, the County did not comply with requirements regarding Cash Management that are applicable to its Workforce Investment Act Cluster. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2003. We also noted a certain instance of noncompliance that does not require inclusion in this report that we have reported to management of the County in a separate letter dated December 13, 2004.

Internal Control over Compliance

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

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. A reportable condition is described in the accompanying Schedule of Findings as item 2003-003.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over federal compliance that do not require inclusion in this report that we have reported to management of the County in a separate letter dated December 13, 2004.

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



Betty Montgomery
Auditor of State

December 13, 2004

MORGAN COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2003

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Workforce Investment Act Cluster - CFDA #17.258, 17.259 and 17.260
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

MORGAN COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2003
(Continued)

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

FINDING NUMBER 2003-001

Finding for Recovery Repaid Under Audit

Ohio Rev. Code § 5901.02 provides that a veterans service commission shall be composed of five residents of the county appointed to five-year terms by a judge of the court of common pleas.

Gerald White's term as a member of the Morgan County Veterans Service Commission ended December 31, 2002 and the term of Randy Kintz commenced January 1, 2003. During the month of January, 2003, both Mr. White and Mr. Kintz were paid a full month's salary of \$250. This resulted in the Morgan County Veterans Service Commission paying salaries to a total of six individuals for the month of January, 2003.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code §117.28, a finding for recovery for public money illegally expended is hereby issued against Gerald White, in the amount of \$250, in favor of the Morgan County General Fund.

This finding, with which Mr. White agrees, was repaid under audit on April 20, 2004, by Mr. White.

FINDING NUMBER 2003-002

Noncompliance Citation

Ohio Rev. Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Admin. Code § 117-2-03(B) requires the County to file its annual financial report pursuant to generally accepted accounting principles. However, the County prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the County may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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

MORGAN COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2003
(Continued)

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2003-003
CFDA Title and Number	Workforce Investment Act- CFDA#17.258, 17.259 and 17.260
Federal Award Numer/Year	2003
Federal Agency	United States Department of Labor
Pass-Through Agency	Ohio Department of Jobs and Family Services

Noncompliance Citation and Reportable Condition

29 C.F.R. Section 95.22(b)(2) states, in part, that cash advances to a recipient organization shall be limited to the minimum amounts needed and be timed in accordance with the actual, immediate cash requirements of the recipient organization in carrying out the purpose of the approved program or project. The timing and amount of cash advances shall be as close as is administratively feasible to the actual disbursements by the recipient organization for direct program or project costs and the proportionate share of any allowable indirect costs.

The Morgan County Department of Job and Family Services was allocated Workforce Investment Act (WIA) funding from the State Department of Job and Family Services, but requested and received WIA cash in excess of what was necessary to meet the immediate needs of certain WIA programs.

The State Fiscal Year 2003 Public Assistance Administrative Fund Reconciliation Closeout (the Closeout), dated December 31, 2003, for the period ending June 30, 2003, reported Youth Program draws of \$209,287 and expenditures (including adjustments) of \$78,461, resulting in \$130,826 of excess cash being paid to the County. The Closeout reported Dislocated Worker (Rapid Response) Program draws of \$100,000 and expenditures (including adjustments) of \$87,813, resulting in \$12,187 of excess cash being paid to the County. The Closeout reflected that the Morgan County Department of Job and Family Services owed the State Department of Job and Family Services a total of \$634,103 from all programs, of which \$125,733 represented the net amount of over advanced WIA funding for all programs.

We recommend the Morgan County Department of Job and Family Services develop more effective cash management controls to ensure federal funding on hand is limited to the minimum amount needed to cover expenses.

MORGAN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2003

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2002-001	A material noncompliance citation was issued under Ohio Admin. Code Section 117-2-03(B) for failing to prepare and file financial statements pursuant to GAAP.	No	Not Corrected; the County does not believe the benefits associated with filing GAAP statements outweigh the costs associated with preparing them. This situation was repeated in the current audit as finding 2003-002.

MORGAN COUNTY

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
DECEMBER 31, 2003**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2003-001	This Finding was repaid on April 20, 2004. The Director of the Veterans Service Board is responsible for ensuring such an overpayment does not occur in the future.	April 2004	John Kitts, Director of the Veterans Service Board
2003-002	The County does not believe the benefits associated with filing GAAP statements outweigh the costs associated with preparing such statements. As of the date of this report, the County does not plan to file GAAP financial statements for 2004.	None	Gary Woodward, County Auditor
2003-003	The agency has made changes beginning July 1, 2004, for State Fiscal Year 2005, in the WIA cash draws by requesting draws every 2 weeks and requesting the minimum amount felt to be needed in order to continue business as usual.	July 2004	Jim Ridenour, Director of Morgan County Department of Job and Family Services



**Auditor of State
Betty Montgomery**

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FINANCIAL CONDITION

MORGAN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 20, 2005**