



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

MEIGS COUNTY

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STATE OF OHIO
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REPORT OF INDEPENDENT ACCOUNTANTS

Meigs County
100 East Second Street
Pomeroy, Ohio 45769

To the Board of Commissioners:

We have audited the accompanying financial statements of Meigs County, Ohio (the County), as of and for the year ended December 31, 2001. 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 file its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 1, the County prepared its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments and combined fund cash balances of Meigs County as of December 31, 2001, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2002, 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.

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

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

July 17, 2002

MEIGS COUNTY

COMBINED STATEMENT OF CASH, INVESTMENTS
AND FUND CASH BALANCES
ALL FUND TYPES
AS OF DECEMBER 31, 2001

Cash and Cash Equivalents	\$ 3,900,128
Investments	
Repurchase Agreement	<u>737,875</u>
Total	<u><u>\$ 4,638,003</u></u>

CASH BALANCES BY FUND TYPE

Governmental Funds:	
General Fund	\$ 212,590
Special Revenue Funds	2,597,941
Debt Service Funds	37,584
Capital Projects Funds	3,724
Proprietary Funds:	
Internal Service Funds	20,078
Fiduciary Funds:	
Expendable Trust Funds	5,753
Agency Funds	<u>1,760,333</u>
Total Fund Cash Balances	<u><u>\$ 4,638,003</u></u>

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

MEIGS 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, 2001

	Governmental Fund Types				Fiduciary	Totals
	General	Special Revenue	Debt Service	Capital Projects	Fund Type Expendable Trust	(Memorandum Only)
Cash Receipts:						
Taxes	\$ 2,179,180	\$ 1,281,318	\$ 44,254	\$	\$	\$ 3,504,752
Charges for Services	534,726	662,383				1,197,109
Licenses and Permits	2,927	435				3,362
Fines and Forfeitures	113,858	30,881				144,739
Intergovernmental Receipts	499,009	11,411,623				11,910,632
Interest Revenue	323,239	5,173				328,412
All Other Receipts	151,209	905,997	111,502		3,365	1,172,073
Total Cash Receipts	3,804,148	14,297,810	155,756	0	3,365	18,261,079
Cash Disbursements:						
General Government:						
Executive and Legislative	1,410,165	158,560				1,568,725
Judicial	443,147	131,737				574,884
Public Safety	724,819	458,430				1,183,249
Public Works	148,046	10,335,960			2,926	10,486,932
Health	170,976	124,299				295,275
Human Services	111,002	3,567,832				3,678,834
Economic Development	631,757	14,349				646,106
Miscellaneous		1,225				1,225
Capital Outlay				14,837		14,837
Debt Service:						
Principal Payment		23,628	122,399			146,027
Interest and Fiscal Charges		3,133	52,167			55,300
Total Cash Disbursements	3,639,912	14,819,153	174,566	14,837	2,926	18,651,394
Excess of Cash Receipts Over/ (Under) Cash Disbursements	164,236	(521,343)	(18,810)	(14,837)	439	(390,315)
Other Financing Sources/(Uses):						
Proceeds of Notes		105,606				105,606
Operating Transfers-In	46,172	199,158	11,182	6,500		263,012
Operating Transfers-Out	(157,133)	(185,020)				(342,153)
Operating Advances-In	34,238	104,910				139,148
Operating Advances-Out	(87,087)	(102,298)				(189,385)
Total Other Financing Sources/(Uses)	(163,810)	122,356	11,182	6,500	0	(23,772)
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing (Uses)	426	(398,987)	(7,628)	(8,337)	439	(414,087)
Fund Cash Balances, January 1	212,164	2,996,928	45,212	12,061	5,314	3,271,679
Fund Cash Balances, December 31	\$ 212,590	\$ 2,597,941	\$ 37,584	\$ 3,724	\$ 5,753	\$ 2,857,592

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

MEIGS COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES
IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Proprietary Fund Type</u> Internal Service	<u>Fiduciary Fund Type</u> Agency	<u>Totals (Memorandum Only)</u>
Operating Cash Receipts:			
Other Operating Receipts	\$ 18,353	\$	\$ 18,353
Total Operating Cash Receipts	<u>18,353</u>	<u>0</u>	<u>18,353</u>
Operating Cash Disbursements:			
Claims and Judgements	<u>2,196</u>		<u>2,196</u>
Total Operating Cash Disbursements	<u>2,196</u>	<u>0</u>	<u>2,196</u>
Operating Income/(Loss)	<u>16,157</u>	<u>0</u>	<u>16,157</u>
Nonoperating Cash Receipts/(Disbursements):			
Transfers-In		79,141	79,141
Advances-In		50,237	50,237
Other Nonoperating Receipts		31,113,030	31,113,030
Other Nonoperating Disbursements		<u>(30,747,255)</u>	<u>(30,747,255)</u>
Total Nonoperating Cash Receipts/ (Disbursements)	<u>0</u>	<u>495,153</u>	<u>495,153</u>
Net Income/(Loss)	16,157	495,153	511,310
Fund Cash Balances, January 1	<u>3,921</u>	<u>1,265,180</u>	<u>1,269,101</u>
Fund Cash Balances, December 31	<u>\$ 20,078</u>	<u>\$ 1,760,333</u>	<u>\$ 1,780,411</u>

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

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MEIGS COUNTY

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
ALL BUDGETED FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental			
General	3,728,902	\$ 3,884,558	\$ 155,656
Special Revenue	14,368,075	14,707,484	339,409
Debt Service	164,419	166,938	2,519
Capital Projects	6,500	6,500	0
Proprietary			
Internal Service		18,353	18,353
Fiduciary			
Expendable Trust	218	3,365	3,147
Totals (Memorandum Only)	<u>\$ 18,268,114</u>	<u>\$ 18,787,198</u>	<u>\$ 519,084</u>

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

MEIGS COUNTY

**COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES
 COMPARED WITH EXPENDITURE AUTHORITY
 ALL BUDGETED FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2001**

Fund Types/Funds	Prior Year Carryover Appropriations	Appropriations	Total
Governmental			
General	\$ 21,053	\$ 3,907,660	\$ 3,928,713
Special Revenue	134,987	16,674,636	16,809,623
Debt Service		203,403	203,403
Capital Projects	1,565	16,996	18,561
Proprietary			
Internal Service		3,921	3,921
Fiduciary			
Expendable Trust		3,871	3,871
Totals (Memorandum Only)	\$ 157,605	\$ 20,810,487	\$ 20,968,092

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

<u>Disbursements</u>	<u>Encumbrances Outstanding 12/31/01</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 3,884,132	\$ 16,299	\$ 3,900,431	\$ 28,282
15,106,471	28,567	15,135,038	1,674,585
174,566		174,566	28,837
14,837		14,837	3,724
2,196		2,196	1,725
2,926		2,926	945
<u>\$ 19,185,128</u>	<u>\$ 44,866</u>	<u>\$ 19,229,994</u>	<u>\$ 1,738,098</u>

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MEIGS COUNTY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Reporting Entity

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

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

Component Unit

Meigs Industries, Inc., is a legally separate, not-for-profit corporation, served by a self-appointing Board of Trustees. Meigs Industries is under a contractual agreement with the Meigs 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 Program with wages and other funds as necessary for the operation of Meigs Industries. Based on the significant services and resources provided by the County to the Program and the sole purpose of the Program to provide assistance to the retarded and handicapped adults of the County, the Program is considered to be a component unit of Meigs County. The component unit financial statements are presented in accordance with Generally Accepted Accounting Principals (GAAP). Separately issued financial statements can be obtained from the administrative offices of Meigs Industries, Inc., 1310 Carleton Street, Syracuse, Ohio 45779.

MEIGS COUNTY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Description of the Reporting Entity (Continued)

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 Meigs County District Board of Health 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 tax levy, along with various state and federal grants applied for by the District.
- The Meigs County Soil and Water Conservation District is statutorily created as a separate and distinct political subdivision within the County. The five supervisors of the 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.

Other Organizations

The County is also associated with certain organizations which are defined as jointly-governed organizations. These organizations are presented in Note 10 to the financial statements. The organizations are as follows:

- Gallia-Jackson-Meigs Counties Alcohol, Drug Addiction and Mental Health Services (ADAMH) Board
- Gallia-Jackson-Meigs-Vinton Joint Solid Waste Management District
- Gallia-Meigs Regional Airport

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 chose to prepare its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

MEIGS COUNTY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Cash and Cash Equivalents

Cash and cash equivalents consist of the total of fund cash balances of all funds as of December 31, 2001. County funds are maintained in several checking accounts, as well as being invested in certificates of deposit and an overnight repurchase account. Individual fund integrity is maintained through the County's records.

D. Fund Accounting

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

1. Governmental Fund Types:

General Fund

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

Special Revenue Funds

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

Debt Service Funds

These funds are used to accumulate resources for the payment of note and bond indebtedness.

Capital Project Funds

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

2. Proprietary Fund Type:

Internal Service Funds

This fund is 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.

MEIGS COUNTY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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.

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.

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.

MEIGS COUNTY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

G. Accumulated Unpaid Vacation and Sick Leave

Accumulated unpaid vacation and sick leave are not accrued under the cash basis of accounting described in Note 1. All leave will either be absorbed by time off from work, or within certain limitations, be paid to the employees.

H. Total Columns on Financial Statements

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

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

Interim monies can be invested or deposited 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;
- 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 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 purchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to fair value daily, and that the term of the agreement must not exceed thirty days;
- D. Bonds and other obligations of the State of Ohio;
- E. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
- F. The State Treasurer's investment pool (STAROhio);

MEIGS COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)

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

- G. Certain Bankers' acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
- H. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Deposits: At year-end, the carrying amount of the County's deposits was \$3,900,128, and the bank balance was \$4,294,203.

Of the bank balance:

- A. \$556,125 was covered by federal depository insurance;
- B. \$3,736,319 was collateralized by securities held by a third party bank in the County's name; and
- C. \$1,759 was uninsured and uncollateralized.

Investments: The County's investments are required to be categorized to give an indication of the level of risk assumed by the County at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the County's name.

	<u>Category Three</u>	<u>Carrying/Fair Value</u>
Repurchase Agreements	<u>\$737,875</u>	<u>\$737,875</u>

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 1998.

MEIGS COUNTY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

3. PROPERTY TAX (Continued)

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, 2001, was \$13.10 per \$1,000 of assessed valuation.

After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$10.01 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$11.42 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, 2001, was \$13.10 per \$1,000 of assessed valuation.

Real Property – 2000 Valuation	
Residential/Agricultural	\$ 129,018,690
Commercial/Industrial	40,705,530
Mineral	2,913,730
Public Utilities	205,860
Tangible Personal Property	
General – 2001 Valuation	36,670,290
Public Utilities – 2000 Valuation	<u>47,264,510</u>
Total Valuation	<u>\$ 256,778,610</u>

The Meigs County Treasurer collects property tax on behalf of all taxing districts within the County. The Meigs 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 one percent upon certain retail sales made in the County. Local sales tax receipts credited to the General Fund amounted to \$1,158,022 in 2001.

MEIGS COUNTY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

5. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries, and natural disasters. The County's vehicles and general liability are covered by the Allied Municipal Insurance Company. At December 31, 2001 the County maintained the following insurance coverage through the insurance company:

Type of Coverage	Annual Aggregate	Deductible
Comprehensive Municipal Liability	\$2,000,000	\$ 0
Employee Benefits Liability	2,000,000	1,000
Wrongful Acts Liability	2,000,000	1,000
Law Enforcement Professional Liability	2,000,000	0
Fleet Liability:		
Bodily Injury and Property damage	2,000,000	100 to 250
Property protection	1,000,000	100 to 250
Uninsured motorists	100,000	100 to 250
Underinsured motorists	100,000	100 to 250
Buildings and Contents	12,485,697	500
Inland Marine	722,438	500
Electronic & Data Processing Equipment	250,000	0
Crime Coverage:		
Theft, Disappearance and Destruction	1,000	250
Tax time increase	5,000	250
Public Employee Blanket Bond	250,000	250

The County had established a limited risk health, dental, and vision insurance programs for Engineer's Department employees. Business Administrators and Consultants, Inc. (BAC) serviced all claims submitted by employees of the Engineer's Department. Excess coverage insurance policies covered individual claims in excess of \$20,000 for BAC. All other County employees have fully funded coverage through Anthem Blue Cross and Blue Shield.

The County has had no significant reductions in any of its insurance coverage from that maintained in prior years. Additionally, there have been no insurance settlements that have exceeded insurance coverage in any of the past three years.

MEIGS COUNTY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2001 (Continued)

6. RETIREMENT SYSTEMS

Public Employees Retirement System (PERS)

All County employees with the exception of the teachers at the school for the mentally retarded participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report that may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members, other than those engaged in law enforcement, are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. Beginning in 2001, HB 416 divided the PERS law enforcement program into two separate divisions with separate employee contribution rates and benefits. The law enforcement classifications consisted of sheriffs, deputy sheriffs and township police with an employee contribution rate of 10.1 percent. All other members of the PERS law enforcement program were placed in a newly named public safety division and continue to contribute at 9.0 percent. For plan members, other than those classified in the law enforcement or public safety divisions, the County was required to contribute 13.55 percent of covered salary for 2001. The employer contribution rate for both the law enforcement and public safety divisions was 16.70 percent.

The County contribution for plan members other than those classified in the law enforcement or public safety divisions for 2001 was 9.25 percent to fund pension obligations. The County contribution rate for those employees classified in the law enforcement or public safety divisions for 2001 was 12.40 percent to fund pension obligations. Contributions are authorized by State statute. The contribution rates are determined actuarially. The County's contributions to PERS for all employees for the years ended December 31, 2001, 2000, and 1999, were \$552,441, \$723,323, and \$795,980, respectively; 100 percent has been contributed for 2001, 2000 and 1999.

State Teachers Retirement System (STRS)

Certified teachers employed by the school for the mentally retarded contribute to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the employer is required to contribute 14 percent. 9.5% percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The County's required contributions to STRS for the years ended December 31, 2001, 2000, and 1999 were \$24,961, \$33,336, and \$40,102, respectively; 100% has been contributed for years 2001, 2000, and 1999.

MEIGS COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)

7. **POSTEMPLOYMENT BENEFITS**

Public Employees Retirement System (PERS)

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an "Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The employer contribution rate for 2001 was 13.55 percent of covered payroll for employees not engaged in law enforcement; 4.30 percent was the portion that was used to fund health care. The employer contribution rate for law enforcement employees for 2001 was 16.7 percent; 4.30 percent was used to fund health care.

Benefits are advance-funded using an entry age normal actuarial cost method of valuation. Significant actuarial assumptions, based on PERS' latest actuarial review performed as of December 31, 2000, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 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.

The number of active contributing participants was 411,076. The County's actual contributions for 2001 which were used to fund postemployment benefits were \$253,108. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2000, (the latest information available) were \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$14,364.6 million and \$2,628.7 million, respectively.

Beginning in 2000, PERS elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of PERS's actual funding methodology. Since 1997, disclosures had been based on a pay-as-you-go funding basis.

State Teachers Retirement System (STRS)

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System. Coverage includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Ohio Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by the State Teachers Retirement System. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

MEIGS COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)

7. **POSTEMPLOYMENT BENEFITS (Continued)**

The Ohio Revised Code grants authority to the State Teachers Retirement System to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from State Teachers Retirement System funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The State Teachers Retirement Board allocates employer contributions to the Health Care Reserve Fund from which payments for health care benefits are paid. For the fiscal year ended June 30, 2001, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund which amounted to \$11,823. The balance in the Health Care Reserve Fund was \$3.419 billion at June 30, 2000 (the most recent data available). The Health Care Reserve Fund allocation for the year ended June 30, 2001 and after, will be 4.5% of covered payroll. For the year ended June 30, 2000, the net health care costs paid by the State Teachers Retirement System were \$283,137,000. There were 99,011 eligible benefit recipients.

8. **PUBLIC ENTITY RISK POOL**

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.

A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services and general management fees, determining ongoing eligibility of each participant and performing any other acts and functions which may be delegated to it by the participating employers. The group executive committee consists of seven members. Two members are the president and treasurer of CCAOSC; the remaining five members are representatives of the participants. These five members are elected for the ensuing year by the participants at a 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.

9. **DEBT OBLIGATIONS**

Debt outstanding at December 31, 2001, consisted of the following:

	<u>Principal</u>	<u>Interest Rates</u>
Building Acquisition Note	\$ 42,536	5.50%
Ohio Public Works Commission Loan	145,394	2.00%
Tractor and Mowing Equipment Note	56,846	4.13%
Human Service Building Improvement Bonds	<u>650,000</u>	3.5%-7.2%
Total	<u>\$ 894,776</u>	

The Building Acquisition Note was acquired in 1997 to finance the purchase of a building to house the Prosecutor's office. General Fund monies are used to repay this debt.

Proceeds from the Ohio Public Works Commission (OPWC) loan were used for improvements to specified County roads. Auto, License and Gas Fund monies are used to repay this debt.

The County issued a note for \$56,846 in 2001 to finance the purchase of a tractor and mowing equipment. Auto, License and Gas Fund monies will be used to repay this debt. The equipment itself serves as collateral for this loan.

MEIGS COUNTY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

9. DEBT OBLIGATIONS (Continued)

During 2001, a note was issued for \$8,760 for the Meigs County Heliport. Proceeds were recorded in the Special Revenue Fund Type. This note was repaid during the period in the amount of \$8,837, including principal and interest. A second note was issued for \$40,050 for an ambulance for the Emergency Medical Services. Proceeds were recorded in the Special Revenue Fund Type. This note was repaid from the Debt Service Fund Type from tax revenues designated for the Emergency Medical Services Fund that were allocated to the Debt Service Fund.

The Human Services Building Improvement General Obligation Bonds were issued in 1992. Interest rates range from 3.5% in 1992 to 7.2% in 2011.

The annual requirements to amortize debt outstanding as of December 31, 2001, including interest payments, are as follows:

<u>Year Ending December 31</u>	<u>Building Acquisition Note</u>	<u>OPWC Loan</u>	<u>Tractor and Equip. Note</u>	<u>Building Improvement Bonds</u>	<u>Total</u>
2002	\$ 9,116	\$ 17,333	\$ 30,220	\$ 109,103	\$ 166,172
2003	9,116	17,733	30,220	104,942	162,011
2004	9,116	17,733	0	100,718	127,567
2005	9,116	17,733	0	96,427	123,276
2006	9,116	17,733	0	92,105	118,954
2007 – 2011	<u>6,078</u>	<u>70,931</u>	<u>0</u>	<u>392,100</u>	<u>469,109</u>
Total	<u>\$ 51,658</u>	<u>\$ 159,596</u>	<u>\$ 60,440</u>	<u>\$ 895,395</u>	<u>\$ 1,167,089</u>

10. JOINTLY GOVERNED ORGANIZATIONS

Gallia-Jackson-Meigs Counties Alcohol, Drug Addiction and Mental Health Services (ADAMH) Board: The ADAMH Board is a jointly governed organization. Participants are Gallia, Jackson, and Meigs counties. The Board provides no direct services but contracts for their delivery. The Board's function is to assess needs, and to plan, monitor, fund and evaluate the services. The Board is managed by eighteen members, five appointed by commissioners of Jackson County, two by commissioners of Gallia County, and three by commissioners of Meigs County which are proportionate to population, four by Ohio Department of Drug and Alcohol and four by the State Department of Mental Health. Each participating county's influence is limited to the number of members each appoints to the Board. The Board exercises total control of the budgeting, appropriation, contracting and management.

All of the Board's revenue is from state and federal grants awarded to the multi-county board. Gallia County serves as the fiscal agent for the Board. Continued existence of the Board is not dependent on the County's continued participation, no debt exists, and the County does not have an equity interest in the Board. During 2001, the County made no contributions to the Board.

MEIGS COUNTY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

10. JOINTLY GOVERNED ORGANIZATIONS (Continued)

Gallia-Jackson-Meigs-Vinton Joint Solid Waste Management District: The County is a member of a multi-county Joint Solid Waste Management District (District), which is a jointly governed organization involving Gallia, Jackson, Vinton, and Meigs counties. The purpose of the District is to plan and implement comprehensive and environmentally sound solid waste management facilities and provide for the establishment of waste minimization, waste reduction, and recycling programs. The District was created in 1989, as required by the Ohio Revised Code.

The Gallia-Jackson-Meigs-Vinton Joint Solid Waste Management District is governed and operated through three groups. A twelve member board of directors, comprised of three commissioners from each County, is responsible for the District's financial matters. Financial records are maintained by the District. The District's sole revenue source is a waste disposal fee for in-district and out-of-district waste. A twenty-nine member policy committee, comprised of six 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. Each participating County's influence is limited to the number of members each appoints to the board. Continued existence of the District is not dependent on the County's continued participation, no equity interest exists, and no debt is outstanding.

Gallia-Meigs Regional Airport: The Gallia-Meigs Regional Airport (Airport) operates under a separate board that consists of seven members. Three members are appointed by Meigs County and four members are appointed by Gallia County. The Gallia County Commissioners approve the budget, approve expenditures, fund deficits and they are directly responsible for the debt. All of the land and fixed assets at the Airport belongs to Gallia County. The Airport rents the facilities from Gallia County. A manager contracted by the Airport board operates as a fixed based operator. The Airport generates revenue from sales and rental space. Grants are applied for in the Airport's name. Meigs County does not contribute financially to the Airport operations. The Airport operates on a calendar year basis. The operating statement of the Airport is presented at the object level. The Airport is required only to report operating information at the program level; however, since it operates under a single program, object level information is presented to provide more comprehensive financial information. Financial statements are audited and issued as part of Gallia County and are not obtainable separately.

11. 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, 2001.

B. Litigation

The County is party to several lawsuits and other litigation. The ultimate outcome of these issues cannot be determined at this time.

MEIGS COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)

12. SUBSEQUENT EVENTS

Due to the closing of the Southern Ohio Coal Company, the County is projecting a reduction in 2002 Personal Property Valuations of just over 9 million dollars. This number is expected to further decline in the 2003 Personal Property Valuations. Additionally, the County has incurred an 8% reduction in sales tax revenue (approximately \$43,000) as of June 30, 2002 compared to the same period in 2001 and projects a 5% reduction in Local Government Revenue received from the state beginning in July 2002. As a result of these projections, the County reduced its General Fund appropriations by 5% in 2002 over final totals in 2001. Additional reductions are planned for the 2003 budget.

The Meigs County Sheriff's Department has spent greater than 50% of its 2002 appropriations in the following line items as of June 30, 2002:

Line Item	Percentage Spent as of June 30, 2002
Salaries – Employees	56.44%
Supplies	89.36%
Food	72.66%
Supplies – Tires	88.74%
Housing Prisoners	92.73%
Contract Repair	87.25%
Gas and Oil	92.79%
Contract Services	99.23%
FOJ Allowances	100.00%
Medical for Prisoners	82.20%

Based on a projected budget deficit, the Sheriff has contacted a lawyer and is requesting the County Commissioners to appropriate \$15,000 so that he can pursue legal action on the budget crisis in his department. At this time, the County has taken no formal action on this matter but has been unable to increase the Sheriff's Department budget since they are experiencing budget cuts county-wide.

MEIGS COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2001

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Entity Number	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE:				
<i>Passed through the Ohio Department of Education:</i>				
Nutrition Cluster:				
Food Distribution	10.550	N/A	\$	\$ 4,128
School Breakfast Program	10.553	05-PU-01	4,539	
School Lunch Program	10.555	04-PU-01	11,412	0
Total Nutrition Cluster			15,951	4,128
Total United States Department of Agriculture			15,951	4,128
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<i>Direct from Federal Government:</i>				
Rural Housing Preservation	10.433	OMB 0348-0004	101,770	0
<i>Passed through the Ohio Department of Development:</i>				
Community Development Block Grant - State's Program	14.228	B-C-99-049-1	297,724	
		B-C-01-049-1	7,355	
		B-C-01-049-2	4,778	
		B-E-00-049-1	204,000	
		B-F-99-049-1	5,487	
		B-F-00-049-1	169,129	
		B-F-01-049-1	1,030	
		B-M-96-049-1	599	
		B-M-99-049-1	12,838	
		B-N-99-049-1	42	
Total Community Development Block Grant Program			702,982	0
Total United States Department of Housing and Urban Development			804,752	0
UNITED STATES DEPARTMENT OF JUSTICE				
<i>Passed through the Governor's Office of Criminal Justice Services:</i>				
Crime Victims Assistance Grant	16.575	01VAGENE197	11,929	
		01SAGENE565	4,844	
		02SAGENE197	1,299	
Total Crime Victims Assistance Grant			18,072	0
Byrne Formula Grant Program	16.579	98-DG-A01-7183	11,809	
		99-DG-A01-7183	176	
Total Byrne Formula Grant Program			11,985	0
Violence Against Women Grant	16.588	97-WF-VA2-8416	177	
		97-WF-VA2-8416A	4,110	
Total Violence Against Women Grant			4,287	0
Local Law Enforcement Block Grants Program	16.592	98-LE-LEB-3409	6	
		00-LE-LEB-3434	2,061	
Total Local Law Enforcement Block Grants Program			2,067	0
Total United States Department of Justice			36,411	0
UNITED STATES DEPARTMENT OF LABOR				
<i>Passed through the Ohio Department of Job and Family Services:</i>				
Workforce Investment Act	17.255	N/A	467,857	
Total United States Department of Labor			467,857	0
UNITED STATES DEPARTMENT OF TRANSPORTATION				
<i>Passed through the Ohio Department of Transportation:</i>				
Interagency Hazardous Materials Public Sector	20.703	N/A	1,528	
Total United States Department of Transportation			1,528	0

MEIGS COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Entity Number	Disbursements	Noncash Disbursements
APPALACHIAN REGIONAL COMMISSION				
<i>Direct from Federal Government:</i>				
Appalachian State Research and Technical Assistance	23.011	OH-13291	13,849	
Total Appalachian Regional Commission			13,849	0
ENVIRONMENTAL PROTECTION AGENCY				
<i>Passed through the Ohio Environmental Protection Agency:</i>				
Hardship Grant for Rural Communities	66.470	HG390004-01	56,417	
Total Environmental Protection Agency			56,417	0
FEDERAL EMERGENCY MANAGEMENT AGENCY				
<i>Passed through the Ohio Emergency Management Agency:</i>				
Emergency Management - State and Local Assistance	83.552	N/A	6,066	
Total Federal Emergency Management Agency			6,066	0
UNITED STATES DEPARTMENT OF EDUCATION				
<i>Passed through the Ohio Department of Education:</i>				
Special Education Cluster:				
Special Education Grants to States (Title VIB)	84.027	6B-SF-02	19,333	
Special Education Preschool Grant	84.173	PG-SC-02	10,876	
Total Special Education Cluster			30,209	0
Total United States Department of Education			30,209	0
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Passed through the Ohio Department of Mental Retardation and Developmental Disabilities:</i>				
Social Services Block Grant	93.667	N/A	27,555	
Targeted Case Management	93.714	N/A	11,453	
Medical Assistance Program	93.778	N/A	157,349	
Total United States Department of Health and Human Services			196,357	0
Total Federal Awards Expenditures			\$ 1,629,397	\$ 4,128

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

MEIGS COUNTY

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - MATCHING REQUIREMENTS

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

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**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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

Meigs County
100 East Second Street
Pomeroy, Ohio 45769

To the Board of Commissioners:

We have audited the accompanying financial statements of Meigs County, Ohio (the County), as of and for the year ended December 31, 2001, and have issued our report thereon dated July 17, 2002, 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 2001-60753-001 through 2001-60753-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated July 17, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2001-60753-002, 2001-60753-003, and 2001-60753-005.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe reportable condition 2001-60753-003 described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the County in a separate letter dated July 17, 2002.

This report is intended for the information and use of the audit committee, 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, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

July 17, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Meigs County
100 East Second Street
Pomeroy, Ohio 45769

To the Board of Commissioners:

Compliance

We have audited the compliance of Meigs 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 programs for the year ended December 31, 2001. The County's major federal programs are 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 programs 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.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2001. However, we noted an immaterial instance of noncompliance that does not require inclusion in this report, that we have reported to the management of the County in a separate letter dated July 17, 2002.

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.

Meigs County
Report of Independent Accountants on Compliance with
Requirements Applicable to Each Major Federal Program and
Internal Control Over Compliance in Accordance with OMB Circular A-133
Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, 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, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

July 17, 2002

MEIGS COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Community Development Block Grant Program C.F.D.A. #14.228 Workforce Investment Act C.F.D.A. #17.255
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

MEIGS COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)

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

Finding Number 2001-60753-001

Noncompliance Citation

Ohio Admin. Code Section 117-2-03(B) requires the County to file its annual financial report in pursuant to generally accepted accounting principles.

The County prepared its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The County can be fined and various other legal administrative remedies may be taken against the County.

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

Finding Number 2001-60753-002

Noncompliance Citation/Reportable Condition

Ohio Rev. Code Section 9.38 states that public money must be deposited with the Treasurer of the public office or to a designated depository on the business day following the day of receipt.

If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. Only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must deposit the money on the next business day.

The County Sheriff's Department and Prosecutor's office collected cash receipts that were held for several months before being deposited. The County Court collected cash receipts that were held for a few days before being deposited. Also, neither the County nor the above noted departments have a written policy governing the depository requirements, as suggested by the Ohio Revised Code.

We recommend the County Sheriff's Department, Prosecutor's office and County Court ensure deposits are made at least once every twenty-four hours. As an alternative, the Board of County Commissioners may adopt a policy permitting a different time period relating to the deposit of money, as described above.

MEIGS COUNTY

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)**

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

Finding Number 2001-60753-003

Noncompliance Citation/Material Weakness

Ohio Rev. Code Section 311.11 states there shall be kept in the office of the sheriff a cashbook, to be furnished by the county, in which, on receipt by him of any money in his official capacity, the sheriff shall make an entry of the date, the amount thereof, the title of the cause, and the name and number of the writ or process on which such money was received. If such money is received on the sale of real estate, in partition or otherwise, where the sale has been for part cash and other evidences of indebtedness are taken for part of the purchase money, such sheriff shall make an entry on such book of the date, number, and amount of such evidences of indebtedness.

The Sheriff's Department did not record receipts in the cashbook. Since receipts were not recorded in the cashbook, there is also no open items list maintained for cases where distributions have yet to be made.

We recommend the Sheriff's department cashbook be completed in its entirety, to include an open items list at the end of each month.

Finding Number 2001-60753-004

Finding for Adjustment

Ohio Rev. Code Section 5705.10 requires all revenues derived from a specific source to be credited to a special fund for the purpose for which the monies were received. This section also states money that is paid into a fund must be used for the purposes for which such fund has been established.

A check was received from Midwest Insurance for \$12,844 for damages on a Sheriff's cruiser. However, when the insurance check was received, the proceeds were placed into a Federal Law Enforcement Trust Fund (LETF) bank account. The proceeds from the insurance claim should have been placed into the General Fund to be certified and appropriated to the Sheriff's Department line items upon discretion of the County Commissioners. A separate check for \$3,000 was received from the Meigs County Fair Board to be used for fair security. This also was placed in the Federal LETF account. Payment was made to deputies to provide fair security from the Federal LETF account in the amount of \$4,080. Payment to officers for fair security from the Federal LETF account is not permissible according to the grant manual entitled "A Guide to Equitable Sharing of Federally Forfeited Property for State and Local Law Enforcement Agencies." The receipt of the Fair Board check should also have been deposited into the General Fund and then appropriated to the Sheriff's Department line items upon discretion of the County Commissioners. Subsequent payment for fair security should then have been made through the normal payroll procedures at the County. A Finding for Adjustment is calculated as follows:

	Unallowable deposits to Federal LETF account	Unallowable expenditures from Federal LETF account	Net Adjustment
Insurance Claim	\$12,844	\$ 0	\$12,844
Fair Security	<u>3,000</u>	<u>(4,080)</u>	<u>(1,080)</u>
Total	<u>\$15,844</u>	<u>\$(4,080)</u>	<u>\$11,764</u>

In accordance with the foregoing facts, a Finding for Adjustment is hereby issued against the Federal Law Enforcement Trust Fund in the amount of \$11,764, in favor of the General Fund.

MEIGS COUNTY

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)**

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

Finding Number 2001-60753-005

Reportable Condition

Pre-numbered duplicate receipts should be written for all collections of the Sheriff's Department. Receipts were not written for all monies collected. Some receipts that were issued did not contain all pertinent information, such as who the money was collected from and the case number for which the money was collected. We were not able to find any supporting documentation for 15% of the receipts collected by the Sheriff's Department, and in many instances, due to lack of duplicate receipts, the case file was the only support for Sheriff's sale cases.

We recommend duplicate receipts be issued for all monies collected and the receipt include all pertinent information. Furthermore, we recommend all supporting documentation be maintained for all collections.

3. FINDINGS FOR FEDERAL AWARDS

There were no findings related to federal awards.

MEIGS COUNTY

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 §.315 (b)
DECEMBER 31, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-60753-001	Finding for Recovery of \$326.51 for excessive overtime payment.	No	The prosecutor has requested repayment from Mr. Hawks for this finding. Mr. Hawks' response indicated he is in the process of obtaining support to show this finding to be unwarranted.
2000-60753-002	Finding for Recovery of \$1,930 for public money collected but not accounted for.	No	Midwest Claims Services, the agent for the County's insurer has agreed to repay \$1,720 of this finding. The Prosecutor has requested appointment of a special prosecutor to pursue the additional finding amount.
2000-60753-003	Finding for Recovery of \$459.71 for public monies illegally expended.	Yes	Finding amount has been fully repaid
2000-60753-004	Finding for Recovery of \$268.25 against James Soulsby for public monies illegally expended.	Yes	Finding amount has been fully repaid
2000-60753-005	Finding for Recovery of \$712 for public money collected but not accounted for.	No	Midwest Claims Services has agreed to repay \$380 of this finding. The Prosecutor has requested appointment of a special prosecutor to pursue the additional finding amount.
2000-60753-006	Finding for Recovery of \$8,502.49 for public money collected but not accounted for.	No	Midwest Claims Services has agreed to repay \$3,457.39 of this finding. The Prosecutor has requested appointment of a special prosecutor to pursue the additional finding amount.
2000-60753-007	Finding for Recovery of \$3,476.46 for public money collected but not accounted for.	No	Midwest Claims Services has agreed to repay \$2,300 of this finding. The Prosecutor has requested appointment of a special prosecutor to pursue the additional finding amount.
2000-60753-008	Finding for Recovery of \$100 for public money collected but not accounted for.	No	Midwest Claims Services has agreed to repay the full \$100 of this finding.
2000-60753-009	Finding for Recovery of \$2,710 for public money collected but not accounted for.	No	The Prosecutor has requested appointment of a special prosecutor to pursue this finding.

MEIGS COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS

OMB CIRCULAR A -133 §.315 (b)

DECEMBER 31, 2001

(Continued)

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-60753-010	Finding for Recovery of \$174.55 for public monies illegally expended.	No	The Prosecutor has requested appointment of a special prosecutor to pursue this finding.
2000-60753-011	Finding for Recovery of \$695.61 for public monies illegally expended.	No	The Prosecutor has requested appointment of a special prosecutor to pursue this finding.
2000-60753-012	Finding for Recovery of \$500 for public monies illegally expended.	No	The Prosecutor has requested appointment of a special prosecutor to pursue this finding.
2000-60753-013	Finding for Recovery of \$1145.02 for public monies illegally expended.	No	The Prosecutor has requested appointment of a special prosecutor to pursue this finding.
2000-60753-014	Finding for Adjustment of \$4,314 against the Law Enforcement Trust Fund in favor of the Crimes Victims Assistance Grant Fund.	No	The Prosecutor is waiting on a request from Attorney General's office before making the adjustment.
2000-60753-015	Noncompliance Citation/Material Weakness of Ohio Rev. Code Section 9.38 for not depositing timely.	No	Reissued in current audit Schedule of Findings as item 2001-60753-002
2000-60753-016	Noncompliance Citation/Reportable Condition of Ohio Rev. Code Section 301.27 for misuse of County credit card.	Yes	
2000-60753-017	Noncompliance Citation/Reportable Condition of Ohio Rev. Code Section 325.31(A) for Sheriff not paying fees into County General Fund monthly.	Yes	
2000-60753-018	Noncompliance Citation/Reportable Condition of Ohio Rev. Code Section 9.11 for the Sheriff Department checks not being signed by the Sheriff.	Yes	

MEIGS COUNTY

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 §.315 (b)
DECEMBER 31, 2001
(Continued)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-60753-019	Noncompliance Citation of Chapter 3 of the Federal Financial Guide – Standards for Financial Management Systems and the Victims of Crimes Act for commingling Federal funds.	Yes	
2000-60753-020	Noncompliance Citation/Questioned Costs for \$41,430.40 for Crimes Victims Assistance expenditures unallowable, in excess of grant limits, or unsupported.	No	The Prosecutor is waiting on a request from Attorney General's office before repaying the questioned costs.
2000-60753-021	Noncompliance Citation of Victims of Crime Act Financial Policies and Procedures for not providing the proper matching funds.	Yes	
2000-60753-022	Noncompliance Citation/Questioned Cost of Chapter 10 of Ohio Criminal Justice Services Standard Federal Subgrant Conditions for \$1,123.57 for Violence Against Women Grant expenditures in excess of the approved budget and/or unallowable per the approved budget.	No	The Prosecutor is waiting on a request from Attorney General's office before repaying the questioned costs.

MEIGS COUNTY

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 §.315(c)
DECEMBER 31, 2001**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2001-60753-001	County does not anticipate filing on GAAP basis until financial conditions improve.	No estimated date	Nancy Campbell, Auditor Mick Davenport, Jim Sheets, Jeff Thornton, County Commissioners
2001-60753-002	Sheriff's department intends to make timely deposits beginning with the hiring of a new clerk in May, 2002.	May 2002	Ralph Trussell, Sheriff
2001-60753-003	Sheriff's department intends to keep completed cashbook beginning with hiring of new clerk in May, 2002.	May 2002	Ralph Trussell, Sheriff
2001-60753-004	Sheriff's Department intends to work with the Commissioners to determine if other expenditures from the Law Enforcement Trust Fund account will be reimbursed by the Commissioners to offset the required adjustment.	July 2002	Ralph Trussell, Sheriff
2001-60753-005	Sheriff's Department intends to write duplicate receipts for all money collected beginning with hiring of new clerk in May, 2002.	May, 2002	Ralph Trussell, Sheriff



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OFFICE OF THE AUDITOR

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FINANCIAL CONDITION

MEIGS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 8, 2002