



**Auditor of State
Betty Montgomery**

MEIGS COUNTY
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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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, 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 have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. This basis of accounting 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 and combined fund cash balances of Meigs County 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 on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 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 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 the audit committee, management, the Board of County Commissioners and other officials authorized to receive this report under § 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

September 17, 2004

MEIGS COUNTY

COMBINED STATEMENT OF CASH
AND FUND CASH BALANCES
ALL FUND TYPES
AS OF DECEMBER 31, 2003

Demand Deposits	\$ 1,793,743
Certificates of Deposit	<u>3,299,198</u>
Total	<u>\$ 5,092,941</u>

CASH BALANCES BY FUND TYPE

Governmental Funds:	
General Fund	\$ 440,853
Special Revenue Funds	2,910,271
Debt Service Funds	41,136
Capital Projects Funds	144
Proprietary Funds:	
Internal Service Funds	20,849
Fiduciary Funds:	
Expendable Trust Funds	11,896
Agency Funds	<u>1,667,792</u>
Total Fund Cash Balances	<u>\$ 5,092,941</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, 2003

	Governmental Fund Types				Fiduciary Funds	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Taxes	\$2,179,315	\$1,192,553	\$9,116	\$	\$	\$3,380,984
Charges for Services	550,240	1,019,435				1,569,675
Licenses, Permits, and Fees	2,588	1,210				3,798
Fines, Forfeitures, and Penalties	107,316	35,343				142,659
Intergovernmental Receipts	428,953	12,298,448		16,129		12,743,530
Interest Revenue	159,433	1,528				160,961
Other Revenue	265,823	809,874	106,481		4,047	1,186,225
Total Cash Receipts	<u>3,693,668</u>	<u>15,358,391</u>	<u>115,597</u>	<u>16,129</u>	<u>4,047</u>	<u>19,187,832</u>
Cash Disbursements:						
General Government:						
Executive and Legislative	1,151,286	291,528				1,442,814
Judicial	735,591	158,310				893,901
Public Safety	777,960	309,634				1,087,594
Public Works	49,120	4,709,104				4,758,224
Health	145,643	1,279,707				1,425,350
Human Services	286,259	8,541,168			1,326	8,828,753
Economic Development		72,617				72,617
Miscellaneous	374,389	55,335				429,724
Capital Outlay		321,272		55,648		376,920
Debt Service:						
Principal Payment		120,135	115,831			235,966
Interest and Fiscal Charges			1,878			1,878
Total Cash Disbursements	<u>3,520,248</u>	<u>15,858,810</u>	<u>117,709</u>	<u>55,648</u>	<u>1,326</u>	<u>19,553,741</u>
Excess of Cash Receipts Over/ (Under) Cash Disbursements	<u>173,420</u>	<u>(500,419)</u>	<u>(2,112)</u>	<u>(39,519)</u>	<u>2,721</u>	<u>(365,909)</u>
Other Financing Sources/(Uses):						
Proceeds of Notes	27,000	517,000		13,000		557,000
Sale of Assets	1,159					1,159
Operating Transfers-In	14,956	39,660		10,800		65,416
Operating Transfers-Out	(96,029)	(28,756)				(124,785)
Operating Advances-In	33,254	125,319				158,573
Operating Advances-Out	(33,734)	(119,560)	(2,279)			(155,573)
Other Financing Sources	4,702	274,330				279,032
Other Financing Uses	(1,881)	(276,355)				(278,236)
Total Other Financing Sources/(Uses)	<u>(50,573)</u>	<u>531,638</u>	<u>(2,279)</u>	<u>23,800</u>	<u>0</u>	<u>502,586</u>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing (Uses)	<u>122,847</u>	<u>31,219</u>	<u>(4,391)</u>	<u>(15,719)</u>	<u>2,721</u>	<u>136,677</u>
Fund Cash Balances, January 1	<u>318,006</u>	<u>2,879,052</u>	<u>45,527</u>	<u>15,863</u>	<u>9,175</u>	<u>3,267,623</u>
Fund Cash Balances, December 31	<u>\$440,853</u>	<u>\$2,910,271</u>	<u>\$41,136</u>	<u>\$144</u>	<u>\$11,896</u>	<u>\$3,404,300</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 PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Internal Service</u>	<u>Agency</u>	
Nonoperating Cash Receipts/(Disbursements):			
Transfers-In	\$	\$68,369	\$68,369
Advances-In		31,175	31,175
Transfers-Out		(9,000)	(9,000)
Advances-Out		(34,175)	(34,175)
Other Nonoperating Receipts	609	33,156,295	33,156,904
Other Nonoperating Disbursements		(33,421,062)	(33,421,062)
		<u> </u>	<u> </u>
Total Nonoperating Cash Receipts/ (Disbursements)	<u>609</u>	<u>(208,398)</u>	<u>(207,789)</u>
Net Income/(Loss)	<u>609</u>	<u>(208,398)</u>	<u>(207,789)</u>
Fund Cash Balances, January 1	<u>20,240</u>	<u>1,876,190</u>	<u>1,896,430</u>
Fund Cash Balances, December 31	<u>\$20,849</u>	<u>\$1,667,792</u>	<u>\$1,688,641</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, 2003**

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental			
General	\$3,631,445	\$ 3,741,485	\$ 110,040
Special Revenue	15,688,356	16,189,381	501,025
Debt Service	107,027	115,597	8,570
Capital Projects	39,292	39,929	637
Proprietary			
Internal Service	0	609	609
Fiduciary			
Expendable Trust	4,900	4,047	(853)
Totals (Memorandum Only)	<u>\$ 19,471,020</u>	<u>\$ 20,091,048</u>	<u>\$ 620,028</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, 2003**

Fund Types/Funds	Prior Year Carryover Appropriations	Appropriations	Total
Governmental			
General	\$ 106,936	\$ 3,789,214	\$ 3,896,150
Special Revenue	167,763	17,714,476	17,882,239
Debt Service		117,709	117,709
Capital Projects		55,744	55,744
Proprietary			
Internal Service		20,240	20,240
Fiduciary			
Expendable Trust		8,606	8,606
Totals (Memorandum Only)	\$ 274,699	\$ 21,705,989	\$ 21,980,688

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>
\$ 3,618,158	\$ 173,412	\$ 3,791,570	\$ 104,580
16,163,921	338,102	16,502,023	1,380,216
117,709		117,709	
55,648		55,648	96
		0	20,240
<u>1,326</u>		<u>1,326</u>	<u>7,280</u>
<u><u>\$ 19,956,762</u></u>	<u><u>\$ 511,514</u></u>	<u><u>\$ 20,468,276</u></u>	<u><u>\$ 1,512,412</u></u>

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MEIGS COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the 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 included 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 Development 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 organizations 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 Development 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). Complete financial statements of the individual component unit can be obtained from the administrative offices of Meigs Industries., 1310 Carleton Street, Syracuse, Ohio 45779.

MEIGS COUNTY

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Description of the 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 are 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 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. 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 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 THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Cash and Investments

Cash and cash equivalents consist of the total fund cash balances of all funds as of December 31, 2003. County funds are maintained in several checking accounts, as well as being invested in certificates of deposit. 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 the 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 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 Projects 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 THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(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 funds 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 THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(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 INVESTMENTS

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), or by eligible securities pledged 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 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 issuance 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 THE FINANCIAL STATEMENTS DECEMBER 31, 2003 (Continued)

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

- G. Certain Banker's 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 \$5,092,941 and the bank balance was \$5,704,293.

Of the bank balance:

- A. \$680,303 was covered by federal deposit insurance; and
- B. \$5,023,990 was collateralized by securities held by a third party bank in the County's name.

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.

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

After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$9.38 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$11.51 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.

MEIGS COUNTY

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

3. PROPERTY TAX (Continued)

Owners of tangible personal property are required to file a list of such property including costs, by April 30 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 \$13.10 per \$1,000 of assessed valuation.

Real Property - 2002 Valuation	
Residential/Agricultural	\$154,297,380
Commercial/Industrial	41,364,840
Mineral	2,825,110
Public Utilities	163,750
Tangible Personal Property	
General - 2003 Valuation	20,165,900
Public Utilities - 2001 Valuation	36,815,920
Total Valuation	<u><u>\$255,632,900</u></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 \$1,103,182 in 2003.

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 County Risk Sharing Authority. At December 31, 2003 the County maintained the following insurance coverage through the insurance company:

MEIGS COUNTY

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

5. RISK MANAGEMENT (Continued)

Type of Coverage	Annual Aggregate	Deductible
Comprehensive Municipal Liability	\$2,000,000	\$2,500
General Liability	1,000,000	2,500
Law Enforcement Liability	1,000,000	2,500
Automobile Liability	1,000,000	2,500
Uninsured/Underinsured Motorists	250,000	2,500
Errors and Omissions Liability	1,000,000	2,500
Excess Liability	1,000,000	0
Property	19,723,132	2,500
Equipment Breakdown	100,000,000	2,500
Crime Coverage:	1,000,000	2,500
Stop Gap Liability	1,000,000	2,500

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.

6. RETIREMENT SYSTEMS

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.

MEIGS COUNTY

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

6. RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (OPERS) (Continued)

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 11.7 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 \$618,891, \$625,063, and \$552,441 respectively; 100 percent has been contributed for years 2003, 2002 and 2001. Contributions to the member-directed plan for 2003 made by the County and made by the plan members were insignificant.

State Teachers Retirement System (STRS)

Certified teachers employed by the school for the Mental Retarded/Developmentally Disabled participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

MEIGS COUNTY

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

6. RETIREMENT SYSTEMS (Continued)

State Teachers Retirement System (STRS) (Continued)

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For year ended December 31, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the DB Plan for the fiscal years ended December 31, 2003, 2002, and 2001, were \$22,836, \$23,623, and \$33,336 respectively; 100 percent has been contributed for fiscal year 2003, 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 made by the County and made by the plan were insignificant.

7. POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

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. Health care coverage for disability recipients and primary survivor 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. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2003 employer contribution rate was 13.55 percent of covered payroll; 5 percent was the portion that was used to fund health care for 2003. For 2002, the contribution rate was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal 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 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4 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 364,881. The County's actual contributions for 2003 which were used to fund postemployment benefits were \$361,924. 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.

MEIGS COUNTY

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

7. POSTEMPLOYMENT BENEFITS (Continued)

Ohio Public Employees Retirement System (Continued)

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.

State Teachers Retirement System

The County provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the County, this amount equaled \$2,284 for 2003.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 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 (CCA) 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.

MEIGS COUNTY

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

9. DEBT OBLIGATIONS

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

	<u>Principal</u>	<u>Interest Rates</u>
Rural Hardship EPA Loan	\$37,050	0.00%
Human Services Building Improvement Bonds	520,000	3.5% - 7.2%
Ohio Public Works Commission Loan	115,297	2.00%
Building Acquisition Note	27,985	5.50%
EMA 2003 Ford Expedition	23,806	3.70%
Backhoe/Truck	200,000	3.70%
MRDD Operating Loan	250,000	2.68%
Tractor	27,821	3.70%
EMS 2003 Ford F-350	40,010	2.90%
Total	<u>\$1,241,969</u>	

The Rural Hardship EPA Loan was obtained in 2002 for additional capitalization of the Meigs County Grant/Loan Program. Septic Upgrade/Replacement monies are used to repay this debt.

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.

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 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. Tax dollars are pledged as debt repayment.

The EMA 2003 Ford Expedition Loan was obtained in 2003 for the purchase of a vehicle for the Emergency Management program. Emergency Management funds will be used to repay this debt.

The Backhoe/Truck Loan was obtained in 2003 for the purchase of a backhoe and truck. Auto License and Gas Fund monies will be used to repay this debt.

The MRDD Operating Loan was obtained in 2003 for the continued operation of the MRDD program. The loan will be repaid when tax monies are received.

The Tractor Note was acquired in 2002 to finance the purchase of a tractor. Auto License and Gas Fund monies are used to repay this debt.

The EMS 2003 Ford F-350 Loan was obtained in 2003 for the purchase of a vehicle for the Emergency Medical System (EMS) program. EMS funds will be used to repay this debt.

The County issued a note for \$54,615 in 2002 to finance the purchase of a tractor. Auto, License and Gas Fund monies will be used to repay this debt.

MEIGS COUNTY

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

9. DEBT OBLIGATIONS (Continued)

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

Year Ending December 31	Rural Hardship EPA Loan	Buidling Improvement Bonds	OPWC Loan	Building Acquistion Note	EMA 2003 Ford Expedition
2004	\$1,950	\$100,718	\$17,733	\$9,116	\$7,300
2005	1,950	96,427	17,733	9,116	7,300
2006	1,950	92,105	17,733	9,116	7,299
2007	1,950	87,750	17,733	6,078	3,649
2008	1,950	83,330	17,733		
2009-2013	9,750	223,000	35,466		
2014-2018	9,750				
2019-2022	7,800				
Total	<u>\$37,050</u>	<u>\$683,330</u>	<u>\$124,131</u>	<u>\$33,426</u>	<u>\$25,548</u>

Year Ending December 31	Backhoe/Truck Loan	MRDD Operating Loan	Tractor	EMS 2003 Ford F- 150 Loan	Total
2004	\$71,667	\$253,387	\$28,853	\$40,650	\$531,374
2005	71,667				204,193
2006	71,666				199,869
2007					117,160
2008					103,013
2009-2013					268,216
2014-2018					9,750
2019-2022					7,800
Total	<u>\$215,000</u>	<u>\$253,387</u>	<u>\$28,853</u>	<u>\$40,650</u>	<u>\$1,441,375</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 Alcohol and Drug Addiction Services and four by the Ohio 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.

MEIGS COUNTY

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

10. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 2003, the County made no contributions to the Board.

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, approve fund deficits and 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 through 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.

MEIGS COUNTY

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

11. CONTRACTUAL AGREEMENTS

The County has entered into the following contractual agreements which had outstanding balances as of December 31, 2003.

<u>Vendor</u>	<u>Outstanding Balance</u>
Shelly Company	\$ 63,491.00
Electronic Communications of West Virginia	\$ 42,000.00
Meigs County Engineer	\$ 53,658.00

12. CONTINGENCIES

A. Grants

The County received financial assistance from federal and state agencies in the form of grants. The expenditure for 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. The County is party to several lawsuits and other obligations. The ultimate outcome of these issues cannot be determined at this time.

13. SUBSEQUENT EVENTS

A. Meigs County Sheriff's Department

The Meigs County Sheriff Department has spent greater than 75% of its 2004 total appropriations in the following line items as of August 31, 2004:

<u>Line Item</u>	<u>Percentage Spent as of August 31, 2004</u>
Salaries Employees	90.00%
Supplies	85.00%
Supplies Tires	89.00%

B. Meigs County Landfill

The Ohio EPA has provided the County with a number of deadlines in which to enter into agreement with the Director of the Ohio EPA regarding the clean up of a leachate problem with the Meigs County Landfill. The County has estimated the cleanup will cost \$40,000. As of September 17, 2004, the County had not started cleaning up the landfill.

MEIGS COUNTY

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

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 Donation	10.550	N/A	\$	\$ 2,167
School Breakfast Program	10.553	085662-05PU-2003	3,056	
National School Lunch Program	10.555	085662-LLP4-2003	<u>8,484</u>	<u>0</u>
Total Nutrition Cluster			<u>11,540</u>	<u>2,167</u>
<i>Direct from Federal Government:</i>				
Rural Housing Preservation Grants	10.433	OMB 0348-0004	<u>77,518</u>	<u>0</u>
Total United States Department of Agriculture			89,058	2,167
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	B-M-96-049-1	4,801	
		B-W-97-049-1	38	
		B-M-99-049-1	1,081	
		B-C-01-049-1	15,966	
		B-F-01-049-1	12,079	
		B-N-01-049-1	224	
		B-W-01-049-1	71,337	
		B-F-02-049-1	183,196	
		B-F-03-049-1	13,777	
		B-N-03-049-1	3,027	
Total Community Development Block Grant Program			<u>305,526</u>	<u>0</u>
HOME Investment Partnerships Program	14.239	B-C-01-049-2	<u>133,873</u>	<u>0</u>
Total United States Department of Housing and Urban Development			439,399	0
UNITED STATES DEPARTMENT OF JUSTICE				
<i>Passed through the Governor's Office of Criminal Justice Services:</i>				
Crime Victim Assistance	16.575	02SAGENE197	411	
Byrne Formula Grant Program	16.579	99-DG-A01-7183	8	
Local Law Enforcement Block Grants Program	16.592	02-LE-LEB-3578	<u>37,065</u>	
Total United States Department of Justice			37,484	0
UNITED STATES DEPARTMENT OF LABOR				
<i>Passed through the Ohio Department of Job and Family Services:</i>				
WIA Cluster:				
WIA Adult Program	17.258	N/A	235,043	
WIA Adult Administration			<u>15,869</u>	
WIA Total Adult			250,912	<u>0</u>
WIA Youth Activities	17.259	N/A	343,924	
WIA Youth Administration			<u>23,221</u>	
WIA Youth Total			367,145	<u>0</u>
WIA Dislocated Workers	17.260	N/A	62,780	
WIA Dislocated Workers Administration			<u>4,240</u>	
WIA Dislocated Workers Total			<u>67,020</u>	<u>0</u>
Total WIA Cluster			<u>685,077</u>	<u>0</u>
Total United States Department of Labor			685,077	0

MEIGS COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Entity Number	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF TRANSPORTATION				
<i>Passed through the Ohio Department of Transportation:</i>				
Highway Planning and Construction	20.205	N/A	321,272	
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	N/A	<u>2,458</u>	
Total United States Department of Transportation			323,730	0
APPALACHIAN REGIONAL COMMISSION				
<i>Direct from Federal Government:</i>				
Appalachian State Research, Technical Assistance, and Demonstration Grants	23.011	OH-13291	<u>2,008</u>	
Total Appalachian Regional Commission			2,008	0
ENVIRONMENTAL PROTECTION AGENCY				
<i>Passed through the Ohio Environmental Protection Agency:</i>				
Hardship Grant for Rural Communities	66.470	HG390004-01	<u>57,442</u>	
Total Environmental Protection Agency			57,442	0
UNITED STATES DEPARTMENT OF EDUCATION				
<i>Passed through the Ohio Department of Education:</i>				
Special Education Cluster:				
Special Education Grants to States	84.027	085662-6BSF-2003-P	28,518	
Special Education Preschool Grants	84.173	085662-PGSI-2003-P	<u>15,875</u>	
Total Special Education Cluster			44,393	0
Innovative Education Program Strategies	84.298	085662-C2SI-2003	<u>525</u>	
Total United States Department of Education			44,918	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	26,286	
Medical Assistance Program	93.778	N/A	<u>159,111</u>	
Total United States Department of Health and Human Resources			185,397	0
UNITED STATES DEPARTMENT OF HOMELAND SECURITY				
<i>Passed through the Ohio Emergency Management Agency:</i>				
State Domestic Preparedness Equipment Support Program	97.004	2002-TE-CX-0049 2002-TE-CX-0106 2001-TE-CX-0016	10,468 17,939 <u>868</u>	
Total State Domestic Preparedness Equipment Support Program			29,275	0
Public Assistance Grants	97.036	105-UMQD4 105-U83TU	403,198 <u>5,362</u>	
Total Public Assistance Grants			408,560	0
Emergency Management Performance Grants	97.042	EMC-2003-GR-7006	16,032	
State and Local All Hazards Emergency Operations Planning	97.051	EMC-2003-GR-7026	<u>21,973</u>	
Total United States Department of Homeland Security			475,840	0
Total Federal Awards Expenditures			<u>\$ 2,340,353</u>	<u>\$ 2,167</u>

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
FOR THE YEAR ENDED DECEMBER 31, 2002**

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.

NOTE C—CHILD NUTRITION CLUSTER

Program regulations do not require the Government to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT 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, 2003, and have issued our report thereon dated April 30, 2003, which noted the County prepares its financial statements on a basis of accounting other than that prescribed by Ohio Administrative Code Section 117-2-03(B). 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 tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a directly and materially affect 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 an instance of noncompliance that we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated September 17, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting 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 September 17, 2004.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

This report is intended solely 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

September 17, 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

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 each of its major federal programs for the year ended December 31, 2003. 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 each of 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 of 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 requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003. We 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 September 17, 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.

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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 weaknesses 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. However, we 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 September 17, 2004.

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

Betty Montgomery
Auditor of State

September 17, 2004

MEIGS COUNTY

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

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Highway Planning and Construction Program C.F.D.A. #20.205 Public Assistance Grants CFDA #97.036
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

MEIGS 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 2002-001

Noncompliance Citation

Ohio Rev. Code Section 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 Section 117-2-03(B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, the County prepared its financial statements 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.

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, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-60753-001	Finding for Recovery of \$326.51 for excessive overtime payment to Lee Hawks.	No	Not Corrected. The support, provided by Mr. Hawks, to show this finding was unwarranted was not satisfactory with the Prosecuting Attorney. No further action has been taken.
2000-60753-002	Finding for Recovery of \$1,930 for public money collected but not accounted for.	No	Partially Corrected. Midwest Claims Services, the agent for the County's insurer has paid \$1,720 of this finding. The additional finding amount has been paid into the Court by Lisa Roush but has not been released from the Court.
2000-60753-005	Finding for Recovery of \$712 for public money collected but not accounted for.	No	Partially Corrected. Midwest Claims Services has paid \$380 of this finding. The additional finding amount has been paid into the Court by Lisa Roush but has not been released from the Court.
2000-60753-006	Finding for Recovery of \$8,502.49 for public money collected but not accounted for.	No	Partially Corrected. Midwest Claims Services has paid \$3,457.39 of this finding. The additional finding amount has been paid into the Court by Lisa Roush but has not been released from the Court.
2000-60753-007	Finding for Recovery of \$3,476.46 for public money collected but not accounted for.	No	Partially Corrected. Midwest Claims Services paid \$2,300 of this finding. The additional finding amount has been paid into the Court by Lisa Roush but has not been released from the Court.
2000-60753-009	Finding for Recovery of \$2,710 for public money collected but not accounted for.	No	Not Corrected. The finding amount has been paid into the Court by Lisa Roush but has not been released from the Court.
2000-60753-010	Finding for Recovery of \$174.55 for public monies illegally expended.	No	Not Corrected. The finding amount has been paid into the Court by Lisa Roush but has not been released from the Court.
2000-60753-011	Finding for Recovery of \$695.61 for public monies illegally expended.	No	Not Corrected. The Prosecutor has appointed a special prosecutor to pursue the finding amount against John Lentes. The Special Prosecutor was unable to get an indictment. No further actions have been taken as of September 17, 2004.
2000-60753-012	Finding for Recovery of \$500 for public monies illegally expended.	No	Not Corrected. The Prosecutor has appointed a special prosecutor to pursue the finding amount against John Lentes. The Special Prosecutor was unable to get an indictment. No further actions have been taken as of September 17, 2004.

MEIGS COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS

OMB CIRCULAR A-133§ .315(b)

DECEMBER 31, 2003

(Continued)

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-60753-013	Finding for Recovery of \$1,145.02 for public monies illegally expended	No	Not Corrected. The Prosecutor has appointed a special prosecutor to pursue the finding amount against John Lentes.
2000-60753-014	Finding for Adjustments of \$4,314 against the Law Enforcement Trust Fund in favor of the Crimes Victims Assistance Grant Fund	No	Not Corrected. The Grant has been closed out. The Grantor has not issued a management decision as of September 17, 2004.
2000-60753-020	Noncompliance Citation/Questioned Costs for \$41,430.40 Crimes Victims Assistance expenditures unallowable, in excess of grant limits, or unsupported	No	Not Corrected. The Grant has been closed out. The Grantor has not issued a management decision as of September 17, 2004.
2000-60753-022	Noncompliance Citation/Questioned Costs 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	Not Corrected. The Grant has been closed out. The Grantor has not issued a management decision as of September 17, 2004.
2002-001	Noncompliance Citation/Reportable Condition of Ohio Admin Code Section 117-2-03(B) for not filing on GAAP basis.	No	Not Corrected. Reissued in current audit Schedule of Findings as item 2003-001

MEIGS COUNTY

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-60753-002	Noncompliance Citation/Reportable Condition of Ohio Rev. Code Section 9.38 for not depositing timely.	Yes	
2001-60753-005	Reportable condition for Sheriff's department for not issuing duplicate receipts and maintaining supporting documentation.	Yes	.

MEIGS 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	County does not anticipate filing on a GAAP basis until financial conditions improve	No estimated date	Nancy Campbell, Auditor Mick Davenport, Jim Sheets, Jeff Thornton, County Commissioners



**Auditor of State
Betty Montgomery**

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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
NOVEMBER 4, 2004**