

OHIO MID-EASTERN GOVERNMENTS ASSOCIATION

CAMBRIDGE, OHIO

GENERAL PURPOSE FINANCIAL STATEMENTS

WITH INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2002



**Auditor of State
Betty Montgomery**

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Board of Directors
Ohio Mid-Eastern Governments Association
P.O. Box 130
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Cambridge, Ohio 43725

We have reviewed the Independent Auditor's Report of the Ohio Mid-Eastern Governments Association, Guernsey County, prepared by S. R. Snodgrass, A.C., for the audit period July 1, 2001 through June 30, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Ohio Mid-Eastern Governments Association is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

January 22, 2003

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**OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
JUNE 30, 2002**

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SNODGRASS

Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Ohio Mid-Eastern Governments Association
Cambridge, Ohio

We have audited the accompanying general purpose financial statements of Ohio Mid-Eastern Governments Association, as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of Ohio Mid-Eastern Governments Association's management. Our responsibility is to express an opinion on these general purpose 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.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Ohio Mid-Eastern Governments Association as of June 30, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2002, on our consideration of the Ohio Mid-Eastern Governments Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This 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.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the Ohio Mid-Eastern Governments Association taken as a whole. The accompanying schedule of expenditures of federal awards 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 general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

S. R. Snodgrass, A.C.

Wheeling, West Virginia
October 9, 2002

**OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002**

	GOVERNMENTAL FUND TYPES		ACCOUNT GROUPS		TOTAL
	General Fund	Special Revenue Funds	General Fixed Assets	General Long-Term Obligations	(Memorandum Only)
ASSETS					
Cash and Cash Equivalents	\$ 37,992	\$ 268,175	\$ -	\$ -	\$ 306,167
Grants Receivable	-	56,009	-	-	56,009
Prepaid Expenses and Other Receivables	-	8,767	-	-	8,767
Loans Receivable, net	-	1,150,379	-	-	1,150,379
Equipment	-	-	65,124	-	65,124
Amount to be Provided for Long-Term Obligations	-	-	-	11,548	11,548
Total Assets	<u>\$ 37,992</u>	<u>\$ 1,483,330</u>	<u>\$ 65,124</u>	<u>\$ 11,548</u>	<u>\$ 1,597,994</u>
LIABILITIES, FUND EQUITY, AND OTHER CREDITS					
LIABILITIES					
Accounts Payable	\$ -	\$ 10,180	\$ -	\$ -	\$ 10,180
Accrued Liabilities	-	6,348	-	-	6,348
Deferred Revenue	-	59,474	-	-	59,474
Compensated Absences Payable	-	5,102	-	11,548	16,650
Total Liabilities	<u>-</u>	<u>81,104</u>	<u>-</u>	<u>11,548</u>	<u>92,652</u>
FUND EQUITY AND OTHER CREDITS					
Investment in General Fixed Assets	-	-	65,124	-	65,124
Fund Balance:					
Reserved for Loans	-	1,150,379	-	-	1,150,379
Unreserved and undesignated	37,992	251,847	-	-	289,839
Total Fund Equity and Other Credits	<u>37,992</u>	<u>1,402,226</u>	<u>65,124</u>	<u>-</u>	<u>1,505,342</u>
Total Liabilities, Fund Equity, and Other Credits	<u>\$ 37,992</u>	<u>\$ 1,483,330</u>	<u>\$ 65,124</u>	<u>\$ 11,548</u>	<u>\$ 1,597,994</u>

The accompanying notes are an integral part of the combined financial statements.

**OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2002**

	General Fund	Special Revenue Funds	Total (Memorandum Only)
REVENUES			
Federal Grants	\$ -	\$ 242,792	\$ 242,792
State Grants	-	186,397	186,397
In-Kind	-	89,814	89,814
Membership Fees	72,089	-	72,089
Registration Fees	98,472	-	98,472
Interest Income	5,168	83,343	88,511
Bad Debt Recoveries	-	47,611	47,611
Other Revenue	-	21,087	21,087
	<hr/>	<hr/>	<hr/>
Total Revenues	175,729	671,044	846,773
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Personnel Salaries	-	242,451	242,451
Fringe Benefits	-	55,072	55,072
In-Kind	-	89,814	89,814
Travel	-	17,089	17,089
Miscellaneous	422	14,127	14,549
Contractual	-	12,700	12,700
Conference Expense	98,104	-	98,104
Indirect Expenses	-	154,428	154,428
	<hr/>	<hr/>	<hr/>
Total Expenditures	98,526	585,681	684,207
	<hr/>	<hr/>	<hr/>
Excess of Revenues Over Expenditures	77,203	85,363	162,566
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)			
Transfers In	23	75,629	75,652
Transfers Out	(73,152)	(2,500)	(75,652)
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	(73,129)	73,129	-
	<hr/>	<hr/>	<hr/>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	4,074	158,492	162,566
	<hr/>	<hr/>	<hr/>
FUND BALANCES AT JULY 1, 2001	33,918	1,243,734	1,277,652
	<hr/>	<hr/>	<hr/>
FUND BALANCES AT JUNE 30, 2002	<u>\$ 37,992</u>	<u>\$ 1,402,226</u>	<u>\$ 1,440,218</u>

The accompanying notes are an integral part of the combined financial statements.

**OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002**

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Federal Grants	\$ -	\$ -	\$ -	\$ 217,079	\$ 242,792	\$ 25,713
State Grants	-	-	-	180,553	186,397	5,844
In-Kind	-	-	-	59,316	89,814	30,498
Membership Fees	70,432	72,089	1,657	-	-	-
Registration Fees	-	98,472	98,472	-	-	-
Interest Income	-	5,168	5,168	25,342	83,343	58,001
Bad Debt Recoveries	-	-	-	-	47,611	47,611
Other Revenue	-	-	-	10,056	21,087	11,031
Total Revenues	70,432	175,729	105,297	492,346	671,044	178,698
EXPENDITURES						
Personnel Salaries	-	-	-	189,002	242,451	(53,449)
Fringe Benefits	-	-	-	57,955	55,072	2,883
In-Kind	-	-	-	61,341	89,814	(28,473)
Travel	-	-	-	4,980	17,089	(12,109)
Miscellaneous	-	422	(422)	1,812	14,127	(12,315)
Contractual	-	-	-	12,000	12,700	(700)
Conference Expense	-	98,104	(98,104)	-	-	-
Indirect Expenses	-	-	-	165,256	154,428	10,828
Total Expenditures	-	98,526	(98,526)	492,346	585,681	(93,335)
Excess (Deficit) of Revenues Over Expenditures	70,432	77,203	6,771	-	85,363	85,363
OTHER FINANCING SOURCES (USES)						
Transfers In	-	23	23	-	75,629	75,629
Transfers Out	-	(73,152)	(73,152)	-	(2,500)	(2,500)
Total Other Financing Sources (Uses)	-	(73,129)	(73,129)	-	73,129	73,129
Excess (Deficit) of Revenues and Other Sources Over Expenditures and Other Uses	\$ 70,432	4,074	\$ (66,358)	\$ -	158,492	\$ 158,492
FUND BALANCES AT JULY 1, 2001		<u>33,918</u>			<u>1,243,734</u>	
FUND BALANCES AT JUNE 30, 2002		<u>\$ 37,992</u>			<u>\$ 1,402,226</u>	

The accompanying notes are an integral part of the combined financial statements.

**OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

The Ohio Mid-Eastern Governments Association (the Association) was created under Ohio Revised Code, Chapter 167. The Association represents a ten county development district and was established to develop a cooperative effort in the planning, programming, implementing, and developing of local and regional plans, programs, and projects.

B. Basis of Presentation - Fund Accounting

Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed. The acquisition, use, and balances of the Association's expendable financial resources and the related current liabilities are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses, and balances of financial resources). The following are the Association's governmental fund types:

General Fund - The fund is used to account for all financial resources except those accounted for in another fund. The general fund balance is available to the Association for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for fixed assets of the Association.

General Long-Term Obligations Account Group - This account group is established to account for all long-term debt of the Association.

OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2002

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Revenue Recognition

The modified accrual method of accounting is used to record revenue and expenses. Grant funds are recognized as revenue at the time expenditures authorized by the grant agreement are incurred.

D. Equipment - Basis of Accounting

All fixed assets acquired or constructed for general governmental purposes are reported as expenditures in the fund that finances the asset acquisition and capitalized in the General Fixed Asset Account Group. Donated fixed assets are reported at estimated fair market value at the time received. No depreciation is provided for these assets.

E. Budgetary Process

Although a legal budget is not required, nor is a budgetary statement, budgets for expenditure of federal grants are assigned by the federal government agency at the time the grants are awarded. The grants also require a contribution from nonfederal sources equal to a specified percentage of the project costs. The nonfederal contributions may be in cash or in-kind. In-kind funds for the year ended June 30, 2002, amounted to \$89,814.

F. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

G. Reserves

The Association records reservations of fund balances which are legally separated for a specific future use or which do not represent available, spendable resources, and, therefore, are not available for appropriations for expenditures. Designated fund balances represent tentative plans for future use of financial resources. Undesignated fund balances indicate that portion which is available for appropriations in future periods. Fund balance reserves have been established for loans in the revolving loan fund.

**OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2002**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned “(Memorandum Only)” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation.

NOTE 2. DONATED SPACE AND SERVICES

The Board members of the Association have donated their time and travel expenses related to Board meetings. The total value of the wages and travel donated is \$24,778. The Association also received donated office space and office equipment from various sources. The value of the space and equipment is \$64,286. The total value of donated space and services is reflected in the Association’s financial statements as in-kind revenue and administrative expenses.

NOTE 3. DEPOSITS AND INVESTMENTS

At June 30, 2002, the carrying amount of the Association’s deposits was \$306,167 and the bank balance was \$329,341.

The Association's deposits are categorized to give an indication of the level of risk assumed by the District at June 30, 2002. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the entity or by its agency in the entity's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agency in the entity's name.

Category 3 - Uncollateralized.

Category 1	\$ 200,000
Category 2	129,341
Category 3	<u>-</u>
Total	<u>\$ 329,341</u>

OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2002

NOTE 4. CONCENTRATIONS

All of the Association's loans and commitments have been granted to customers in a ten county area of Mid-Eastern Ohio. The Association's loans are generally secured by specific items of collateral, including real property, vehicles, and business assets. Repayment of these loans is dependent, in part, upon the economic conditions of this region. Management monitors the collectibility of the revolving loan portfolio on an ongoing basis. As of June 30, 2002, management determined that all of the loan balances listed above were fully collectible.

The majority of the Association's funding is through federal and state grants. Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as inappropriate expenditures. Such audits could lead to reimbursement to the grantor agency. Management of the Association believes disallowances, if any, will be immaterial.

NOTE 5. DEFINED BENEFIT PENSION PLANS - PUBLIC EMPLOYEES RETIREMENT SYSTEM

All employees participate in the Public Employees Retirement System (PERS), a cost-sharing, multiple-employer, public employee retirement system 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 which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4562.

Plan members are required to contribute 8.5% of their annual covered salary to fund pension obligations and the Association was required to contribute 9.35% for the fiscal year ended June 30, 2002. Contributions are authorized by state statute. The Association's contribution for pension obligations to PERS for the year ended June 30, 2002, 2001, and 2000, were \$27,829, \$21,602, and \$24,823, respectively. 90% has been contributed for the fiscal year 2002 while the full amount has been contributed for 2001 and 2000. \$3,892 represents the unpaid contribution for fiscal year 2002 and is recorded as a liability within the respective funds.

NOTE 6. POST-EMPLOYMENT BENEFITS - PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Public Employees Retirement System of Ohio provides post retirement 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 Post Employment Benefit (OPEB) as described in Government Accounting Standards Board Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care based on authority granted by State Statute. The employer contribution rate used to fund health care benefits was 4.2% for the fiscal year ended June 30, 2002.

**OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2002**

**NOTE 6. POST-EMPLOYMENT BENEFITS - PUBLIC EMPLOYEES RETIREMENT SYSTEM
(CONTINUED)**

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's 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.

There were approximately 400,000 active contributing participants. The Association's actual contributions for the fiscal year ended June 30, 2002, which were used to fund postemployment benefits were \$12,501. 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.

NOTE 7. OTHER EMPLOYEE BENEFITS

Full-time employees earn vacation on the number of years of service with the Association. Vacation pay is accumulated and vested. In the event that any employee terminates his/her employment, he/she may be compensated for accumulated vacation pay. Only the current portion of the unpaid vacation pay is accrued. The current portion is the dollar value of the vacation accrued as of June 30, 2002, and used within the available period. The long-term portion is reported in the General Long-Term Debt Account Group. As of June 30, 2002, the dollar value of the current portion of the liability for unpaid compensated absences was \$5,102 and the dollar value of the long-term portion was \$11,548.

NOTE 8. ECONOMIC DEVELOPMENT ADMINISTRATION - REVOLVING LOAN FUND

Fund balance consists of the following:

	<u>Balances</u>
Outstanding Loan Balances	\$ 288,345
Cash in Bank	38,970
Total Fund Balance	<u>\$ 327,315</u>

**OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2002**

NOTE 9. APPALACHIAN REGIONAL COMMISSION - REVOLVING LOAN FUND

Fund balance consists of the following:

	<u>Balances</u>
Outstanding Loan Balances	\$ 674,282
Cash in Bank	149,190
Total Fund Balance	<u>\$ 823,472</u>

NOTE 10. RURAL BUSINESS ENTERPRISE GRANT – REVOLVING LOAN FUND

Fund balance consists of the following:

	<u>Balances</u>
Outstanding Loan Balances	\$ 90,334
Cash in Bank	16,244
Total Fund Balance	<u>\$ 106,578</u>

NOTE 11. LOCAL REVOLVING LOAN FUND

Fund balance consists of the following:

	<u>Balances</u>
Outstanding Loan Balances	\$ 97,418
Cash in Bank	1,089
Total Fund Balance	<u>\$ 98,507</u>

NOTE 12. FIXED ASSETS

The summary of changes in general fixed assets account group follows:

	<u>June 30, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2002</u>
Furniture and fixtures	<u>\$ 60,600</u>	<u>\$ 4,524</u>	<u>\$ -</u>	<u>\$ 65,124</u>

**OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2002**

NOTE 13. RISK MANAGEMENT

The Association is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; employee injuries; and natural disasters. The Association maintains comprehensive insurance coverage with private carriers for general liability, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully co-insured.

<u>Type</u>	<u>Amount</u>	<u>Company</u>
General Liability	\$300,000	Westfield Companies
Office Contents	45,000	Westfield Companies

Settled claims have not exceeded coverage in any of the last three years. There has been no significant reduction in coverage from the prior year.

NOTE 14. ALLOCATION OF COSTS

Office of Management and Budget Circular A-87 provides for the establishment of cost pools which are to be distributed over the benefitting activity in some rational and equitable manner. The concept of indirect costs is introduced and defined as follows in Circular A-87: "Indirect costs are those (a) incurred for a common or joint purpose benefitting more than one cost objective, and (b) not readily assignable to the cost objective specifically benefitted without effort disproportionate to the results achieved."

OMB Circular A-87 also provides the following basis options for the allocation of indirect costs accumulated in an indirect cost pool: (1) direct salary costs or (2) total direct costs, excluding items like large consulting contracts and capital expenditures.

The Association chose the direct salary cost method because management has determined that this is the most equitable allocation method. Management and administrative salaries and indirect costs are allocated to the various programs using the actual rate as determined by the method shown in the Association's cost allocation plan.

NOTE 15. CONTINGENCIES

The Association received financial assistance from federal and state agencies in the form of grants. The disbursement 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 Association at June 30, 2002.

**OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2002**

NOTE 16. LONG-TERM OBLIGATIONS

Changes in the Association's general long-term obligations during fiscal year 2002 consist of the following:

	Outstanding June 30, <u>2001</u>	<u>Additions</u>	<u>Deletions</u>	Outstanding June 30, <u>2002</u>
Compensated absences	\$ 7,589	\$	\$	\$ 7,589
Capital lease	<u>6,006</u>	<u>-</u>	<u>6,006</u>	<u>-</u>
Total	<u>\$ 13,595</u>	<u>\$</u>	<u>\$ 6,006</u>	<u>\$ 7,589</u>

**OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002**

FEDERAL GRANTOR/GRANTOR/PASS THROUGH AGENCY Program Title	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	EXPENDI- TURES
DEPARTMENT OF COMMERCE			
Direct:			
Support for Planning Organizations	11.302	n/a	\$ 20,681
Support for Planning Organizations	11.302	n/a	<u>26,274</u>
Total Economic Development Administration			<u>46,955</u>
DEPARTMENT OF AGRICULTURE			
Direct:			
Rural Business Enterprise Grant	10.769	n/a	<u>99,000</u>
APPALACHIAN REGIONAL COMMISSION			
Direct from Appalachian Regional Commission			
Technical Assistance 302 (A)	23.011	n/a	59,408
Technical Assistance 302 (A)	23.011	n/a	95,590
Revolving Loan Program	23.011	n/a	260,000
Intermodal Transportation	23.011	n/a	<u>7,353</u>
Total Appalachian Regional Commission			<u>422,351</u>
SMALL BUSINESS ADMINISTRATION			
Passed through Jefferson County SBDC			
Small Business Development Center	59.037	ECDD 033	<u>51,558</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 619,864</u>

**OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2002**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes activity of the Association's federal award programs. The schedule has been prepared on the modified accrual basis of accounting.

NOTE B - REVOLVING LOAN FUND

The Association has established a revolving loan program to provide low-interest loans to businesses to create jobs in the region. The Appalachian Regional Commission (ARC) and the Economic Development Administration (EDA) have granted money for these loans to the Association. The initial loan of this money is recorded as a disbursement on the Schedule. Loans repaid, including interest, are used to make additional loans. Subsequent ARC loans are subject to certain compliance requirements imposed by the grantors, and are included as expenditures on the Schedule.

Collateral for these loans is determined on a case by case basis, but includes mortgages on real estate and liens on business equipment and inventory. The gross amount of loans outstanding under these programs at June 30, 2002, is listed in Notes 8 and 9 to the general purpose financial statements.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require that the Association contribute non-Federal funds (matching funds) to support the Federally funded programs. The Association has complied with the matching requirements.

SNODGRASS

Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Ohio Mid-Eastern Governments Association
Cambridge, Ohio

We have audited the general purpose financial statements of Ohio Mid-Eastern Governments Association as of and for the year ended June 30, 2002, and have issued our report thereon dated October 9, 2002. 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 Ohio Mid-Eastern Governments Association'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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ohio Mid-Eastern Governments Association's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted certain matters involving the internal control over financial reporting that we have reported to management of Ohio Mid-Eastern Governments Association in a separate letter dated October 9, 2002.

This report is intended solely for the information of the Board of Directors, management, others within the organization, and the 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.

S. N. Snodgrass, A. C.

Wheeling, West Virginia
October 9, 2002

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



Board of Directors
Ohio Mid-Eastern Governments Association
Cambridge, Ohio

Compliance

We have audited the compliance of Ohio Mid-Eastern Governments Association with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. Ohio Mid-Eastern Governments Association's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Ohio Mid-Eastern Governments Association's management. Our responsibility is to express an opinion on Ohio Mid-Eastern Governments Association'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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ohio Mid-Eastern Governments Association'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 Ohio Mid-Eastern Governments Association's compliance with those requirements.

In our opinion, Ohio Mid-Eastern Governments Association complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

Internal Control Over Compliance

The management of Ohio Mid-Eastern Governments Association 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 Ohio Mid-Eastern Governments Association'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.

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 solely for the information of the Board of Directors, management, others within the organization, and the 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.

S. N. Snodgrass, A.C.

Wheeling, West Virginia
October 9, 2002

**OHIO MID-EASTERN GOVERNMENTS ASSOCIATION
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2002**

SUMMARY OF AUDITOR'S RESULTS

An unqualified opinion has been issued on the general purpose financial statements of Ohio Mid-Eastern Governments Association as of and for the fiscal year ended June 30, 2002, dated October 9, 2002.

An unqualified opinion has been issued on the compliance for major programs of Ohio Mid-Eastern Governments Association as of and for the fiscal year ended June 30, 2002, dated October 9, 2002.

The audit did not disclose any material noncompliance required to be reported under OMB Circular A-133 with regard to major programs.

The audit did not disclose any matters involving the internal control over the financial statements or major programs that would be considered to be reportable conditions or material weaknesses.

The audit disclosed no questioned costs or likely questioned costs exceeding \$10,000 for type of compliance requirement for a major program.

The following is a list of major programs for the fiscal year ended June 30, 2002:

Appalachian Regional Commission

CFDA #23.011 Appalachian Technical Assistance and Demonstration Projects

The dollar threshold used to distinguish between Type A and B programs is \$300,000.

Ohio Mid-Eastern Governments Association qualified as a low-risk auditee for the year ended June 30, 2002.

FINDINGS AND QUESTIONED COSTS

Financial Statement Findings in Accordance with GAGAS

We noted no findings related to the financial statements which are required to be reported in accordance with GAGAS.

Findings and Questioned Costs for Federal Awards

We noted no findings or questioned costs or likely questioned costs for federal awards for the fiscal year ended June 30, 2002.



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Betty Montgomery**

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OHIO MID-EASTERN GOVERNMENTS ASSOCIATION

GUERNSEY 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
FEBRUARY 4, 2003**