MONROE COUNTY, OHIO

General Purpose Financial Statements

Year Ended December 31, 2001

With

Independent Auditors' Report

STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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Board of Commissioners
Monroe County
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We have reviewed the Independent Auditor's Report of Monroe County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2001 through December 31, 2001. 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. Monroe County is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

July 1, 2002

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MONROE COUNTY, OHIO

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Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Monroe County, Ohio:

We have audited the accompanying general purpose financial statements of Monroe County, Ohio as of and for the year ended December 31, 2001 as listed in the table of contents. These general purpose financial statements are the responsibility of the County'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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose 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 Monroe County, Ohio as of December 31, 2001, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 to the general purpose financial statements, the County implemented Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* as of January 1, 2001. This results in a change to the County's method of accounting for nonexchange revenues.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2002 on our consideration of Monroe 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.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of Monroe County, Ohio 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.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
May 29, 2002

MONROE COUNTY, OHIO

COMBINED BALANCE SHEET - ALL FUND TYPES, ACCOUNT GROUPS AND COMPONENT UNITS
December 31, 2001

		Governmental Fund Types			
		General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits					
Assets:					
Equity in pooled cash and cash equivalents	$	273,399	2,755,094	165,864	134,095
Cash and cash equivalents in segregated accounts		-	-	-	-
Receivables (net of allowances for uncollectibles):					
Sales taxes		219,998	-	-	-
Real and other taxes		-	-	-	-
Accounts		34,535	18,288	-	1,499
Interest		13,580	437	-	-
Special assessments		-	-	-	-
Interfund receivable		37,630	10,000	-	-
Due from other funds		827,191	662,975	-	-
Due from other governments		225,616	1,521,041	-	-
Prepayments		1,595	18,597	-	-
Materials and supply inventory		4,000	30,000	-	-
Loans receivable		-	384,565	-	-
Fixed assets (net, where applicable, of accumulated depreciation)		-	-	-	-
Other Debits:					
Amount available in debt service fund		-	-	-	-
Amount to be provided for retirement of general long-term obligations		-	-	-	-
Total assets and other debits	$	1,637,544	5,400,997	165,864	135,594

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total Primary Government (Memorandum Only)	Component Units	Total Reporting Entity (Memorandum Only)
Enterprise	Agency	General Fixed Assets	General Long-Term Obligations			
715,993	691,844	-	-	4,736,289	69,582	4,805,871
-	176,184	-	-	176,184	-	176,184
-	-	-	-	219,998	-	219,998
-	12,401,466	-	-	12,401,466	-	12,401,466
71,991	-	-	-	126,313	8,796	135,109
-	-	-	-	14,017	-	14,017
-	9,682	-	-	9,682	-	9,682
-	-	-	-	47,630	-	47,630
-	270,990	-	-	1,761,156	-	1,761,156
135,177	1,021,325	-	-	2,903,159	-	2,903,159
3,400	-	-	-	23,592	1,694	25,286
10,000	-	-	-	44,000	29,298	73,298
-	-	-	-	384,565	-	384,565
407,995	-	6,494,898	-	6,902,893	26,709	6,929,602
-	-	-	165,864	165,864	-	165,864
-	-	-	612,788	612,788	-	612,788
1,344,556	14,571,491	6,494,898	778,652	30,529,596	136,079	30,665,675

(Continued)

MONROE COUNTY, OHIO

COMBINED BALANCE SHEET - ALL FUND TYPES, ACCOUNT GROUPS AND COMPONENT UNITS
December 31, 2001
(CONTINUED)

		Governmental Fund Types			
		General	Special Revenue	Debt Service	Capital Projects
Liabilities, Fund Equity and Other Credits					
Liabilities:					
Accounts payable	$	61,459	182,985	-	4,345
Accrued wages and benefits		78,931	119,801	-	-
Compensated absences payable		12,284	10,545	-	-
Pension obligation payable		36,077	48,744	-	-
Interfund payable		-	47,630	-	-
Due to other funds		-	-	-	-
Due to other governments		4,629	20,523	-	-
Deposits held and due to others		-	-	-	-
Deferred revenue		996,558	1,502,885	-	-
Undistributed money		-	-	-	-
Notes payable		15,331	50,610	-	-
Capital leases payable		-	-	-	-
General obligation bonds payable		-	-	-	-
Total liabilities		1,205,269	1,983,723	-	4,345
Fund Equity and Other Credits:					
Investments in general fixed assets		-	-	-	-
Retained earnings:					
Unreserved		-	-	-	-
Fund balances:					
Reserved for encumbrances		4,424	86,765	-	-
Reserved for loans receivable		-	384,565	-	-
Reserved for inventory		4,000	30,000	-	-
Reserved for prepayments		1,595	18,597	-	-
Reserved for debt service		-	-	165,864	-
Unreserved		422,256	2,897,347	-	131,249
Total fund equity and other credits		432,275	3,417,274	165,864	131,249
Total liabilities, fund equity and other credits	$	1,637,544	5,400,997	165,864	135,594

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

Proprietary Type	Fiduciary Fund Type	Account Groups					
Enterprise	Agency	General Fixed Asset	General Long-Term Obligations	Total Primary Government (Memorandum Only)	Component Units	Total Reporting Entity (Memorandum Only)
39,135	-	-	-	287,924	43,830	331,754
62,067	-	-	-	260,799	2,935	263,734
74,220	-	-	350,109	447,158	-	447,158
29,685	-	-	-	114,506	-	114,506
-	-	-	-	47,630	-	47,630
-	1,761,156	-	-	1,761,156	-	1,761,156
22,379	12,550,506	-	-	12,598,037	-	12,598,037
-	23,735	-	-	23,735	-	23,735
-	-	-	-	2,499,443	-	2,499,443
-	236,094	-	-	236,094	-	236,094
-	-	-	-	65,941	-	65,941
-	-	-	5,436	5,436	-	5,436
655,000	-	-	423,107	1,078,107	-	1,078,107
882,486	14,571,491	-	778,652	19,425,966	46,765	19,472,731
-	-	6,494,898	-	6,494,898	-	6,494,898
462,070	-	-	-	462,070	89,314	551,384
-	-	-	-	91,189	-	91,189
-	-	-	-	384,565	-	384,565
-	-	-	-	34,000	-	34,000
-	-	-	-	20,192	-	20,192
-	-	-	-	165,864	-	165,864
-	-	-	-	3,450,852	-	3,450,852
462,070	-	6,494,898	-	11,103,630	89,314	11,192,944
1,344,556	14,571,491	6,494,898	778,652	30,529,596	136,079	30,665,675

MONROE COUNTY, OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
YEAR ENDED DECEMBER 31, 2001

		General	Special Revenue	Debt Service	Capital Projects	Total (Memorandum Only)
Revenues:						
Property taxes	$	830,293	870,155	-	-	1,700,448
Sales taxes		1,295,894	1,378,680	-	-	2,674,574
Intergovernmental		294,206	9,836,085	-	302,350	10,432,641
Charges for services		436,585	312,829	-	12,788	762,202
Fines and forfeitures		37,003	16,987	-	-	53,990
Licenses and permits		1,971	38,396	-	-	40,367
Investment income		274,489	937	-	-	275,426
Rental income		29,398	11,084	45,742	-	86,224
Other		569,254	926,723	-	9,863	1,505,840
Total revenues		3,769,093	13,391,876	45,742	325,001	17,531,712
Expenditures:						
Current:						
General government:						
Legislative and executive		1,389,795	153,546	-	-	1,543,341
Judicial		390,155	68,450	-	17,439	476,044
Public safety		1,477,473	411,279	-	-	1,888,752
Public works		-	2,599,513	-	-	2,599,513
Health		49,020	1,391,297	-	-	1,440,317
Human services		129,888	8,042,130	-	-	8,172,018
Economic development		-	658,878	-	-	658,878
Other		152,543	-	-	-	152,543
Capital outlay		-	172,953	-	303,778	476,731
Debt Service:						
Principal retirement		1,643	-	43,400	-	45,043
Interest and fiscal charges		1,862	2,350	26,834	-	31,046
Total expenditures		3,592,379	13,500,396	70,234	321,217	17,484,226
Excess of revenues over (under) expenditures		176,714	(108,520)	(24,492)	3,784	47,486
Other financing sources (uses):						
Operating transfers in		-	180,747	25,334	45,000	251,081
Operating transfers out		(173,871)	(77,210)	-	-	(251,081)
Total other financing sources (uses)		(173,871)	103,537	25,334	45,000	-
Excess of revenues and other financing sources over (under) expenditures and other financing uses		2,843	(4,983)	842	48,784	47,486
Fund balance at beginning of year		429,432	3,422,257	165,022	82,465	4,099,176
Fund balance at end of year	$	432,275	3,417,274	165,864	131,249	4,146,662

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

MONROE COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES
YEAR ENDED DECEMBER 31, 2001

		General Fund			Special Revenue Funds		
		Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:							
Property taxes	$	830,293	830,293	-	870,155	870,155	-
Sales taxes		1,298,304	1,298,304	-	1,390,050	1,390,050	-
Intergovernmental		296,252	296,252	-	9,486,808	9,486,808	-
Charges for services		422,514	422,514	-	305,969	305,969	-
Fines and forfeitures		35,893	35,893	-	17,195	17,195	-
Licenses and permits		1,971	1,971	-	38,266	38,266	-
Investment income		292,314	292,314	-	648	648	-
Rental income		29,398	29,398	-	11,281	11,281	-
Other		580,265	580,265	-	928,400	928,400	-
Total revenues		3,787,204	3,787,204	-	13,048,772	13,048,772	-
Expenditures:							
Current:							
General government:							
Legislative and executive		1,309,021	1,219,599	89,422	153,469	151,048	2,421
Judicial		445,401	393,603	51,798	63,032	59,713	3,319
Public safety		1,507,645	1,480,843	26,802	500,224	412,950	87,274
Public works		-	-	-	2,691,188	2,635,273	55,915
Health		52,965	49,020	3,945	1,442,745	1,389,586	53,159
Human services		137,096	129,657	7,439	8,647,105	8,083,902	563,203
Economic development		-	-	-	678,056	624,650	53,406
Other		162,183	160,844	1,339	-	-	-
Capital outlay		-	-	-	274,709	245,338	29,371
Debt service:							
Principal retirement		-	-	-	70,303	70,303	-
Interest and fiscal charges		-	-	-	14,989	14,989	-
Total expenditures		3,614,311	3,433,566	180,745	14,535,820	13,687,752	848,068
Excess of revenues over (under) expenditures		172,893	353,638	180,745	(1,487,048)	(638,980)	848,068
Other financing sources (uses):							
Operating transfers in		-	-	-	578,597	578,597	-
Operating transfers out		(384,535)	(381,643)	2,892	(674,383)	(648,755)	25,628
Advances in		40,350	38,393	(1,957)	58,552	58,552	-
Advances out		(52,530)	(52,530)	-	(44,415)	(44,415)	-
Total other financing sources (uses)		(396,715)	(395,780)	935	(81,649)	(56,021)	25,628
Excess of revenues and other sources over (under) expenditures and other (uses)		(223,822)	(42,142)	181,680	(1,568,697)	(695,001)	873,696
Fund balance, beginning of year		249,337	249,337		3,215,397	3,215,397	
Prior year encumbrances appropriated		41,035	41,035		92,897	92,897	
Fund balance, end of year	$	66,550	248,230		1,739,597	2,613,293	

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

	Debt Service Fund			Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property taxes	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-
Intergovernmental	-	-	-	302,350	302,350	-
Charges for services	-	-	-	12,889	12,889	-
Fines and forfeitures	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Investment income	-	-	-	-	-	-
Rental income	45,742	45,742	-	-	-	-
Other	-	-	-	10,225	10,225	-
Total revenues	45,742	45,742	-	325,464	325,464	-
Expenditures:						
Current:						
General government:						
Legislative and executive	-	-	-	-	-	-
Judicial	-	-	-	19,000	17,439	1,561
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Health	-	-	-	-	-	-
Human services	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Other	-	-	-	-	-	-
Capital outlay	-	-	-	400,176	390,709	9,467
Debt service:						
Principal retirement	62,864	57,969	4,895	-	-	-
Interest and fiscal charges	28,189	28,189	-	-	-	-
Total expenditures	91,053	86,158	4,895	419,176	408,148	11,028
Excess of revenues over (under) expenditures	(45,311)	(40,416)	4,895	(93,712)	(82,684)	11,028
Other financing sources (uses):						
Operating transfers in	41,258	41,258	-	135,258	135,258	-
Operating transfers out	-	-	-	-	-	-
Advances in	-	-	-	-	-	-
Advances out	-	-	-	-	-	-
Total other financing sources (uses)	41,258	41,258	-	135,258	135,258	-
Excess of revenues and other sources over (under) expenditures and other (uses)	(4,053)	842	4,895	41,546	52,574	11,028
Fund balance, beginning of year	165,022	165,022		81,521	81,521	
Prior year encumbrances appropriated	-	-		-	-	
Fund balance, end of year	160,969	165,864		123,067	134,095	

MONROE COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND EQUITY
PROPRIETARY FUND TYPE AND COMPONENT UNITS
YEAR ENDED DECEMBER 31, 2001

		Enterprise Fund	Component Units	Total (Memorandum Only)
Operating revenues:				
Charges for services	$	2,300,780	149,269	2,450,049
Other		-	6,298	6,298
Total operating revenues		2,300,780	155,567	2,456,347
Operating expenses:				
Personnel services		1,387,094	75,295	1,462,389
Contractual services		475,221	-	475,221
Supplies and materials		215,767	48,764	264,531
Other		25,399	71,524	96,923
Depreciation		30,206	6,183	36,389
Total operating expenses		2,133,687	201,766	2,335,453
Operating income (loss)		167,093	(46,199)	120,894
Non-operating revenues (expenses):				
Intergovernmental grant		-	23,949	23,949
Interest expense and fiscal charges		(45,194)	-	(45,194)
Total non-operating revenues (expenses)		(45,194)	23,949	(21,245)
Net income (loss)		121,899	(22,250)	99,649
Retained earnings at beginning of year		340,171	111,564	451,735
Retained earnings at end of year	$	462,070	89,314	551,384

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

MONROE COUNTY, OHIO
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND COMPONENT UNITS
YEAR ENDED DECEMBER 31, 2001

		Enterprise Fund	Component Units	Total (Memorandum Only)
Cash flows from operating activities:				
Cash received from customers	$	2,349,958	148,127	2,498,085
Cash payments for employee services and benefits		(1,369,129)	(74,402)	(1,443,531)
Cash payments to suppliers for goods and services		(681,799)	(71,471)	(753,270)
Cash payments for other operating expenses		(25,353)	(14,016)	(39,369)
Cash received from other operating revenue		-	6,298	6,298
Net cash provided (used) by operating activities		273,677	(5,464)	268,213
Cash flows from capital and related financing activities:				
Acquisition of capital assets		-	(10,540)	(10,540)
Intergovernmental grant		-	23,949	23,949
Principal retirement		(15,000)	-	(15,000)
Interest and fiscal charges		(45,194)	-	(45,194)
Net cash provided (used) by capital and related financing activities		(60,194)	13,409	(46,785)
Net increase in cash and cash equivalents		213,483	7,945	221,428
Cash and cash equivalents beginning of year		502,510	61,637	564,147
Cash and cash equivalents end of year		715,993	69,582	785,575
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)		167,093	(46,199)	120,894
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation		30,206	6,183	36,389
Changes in assets and liabilities:				
Accounts receivable		51,705	(1,142)	50,563
Due from other governments		(14,628)	-	(14,628)
Prepayments		(402)	(755)	(1,157)
Materials and supplies		-	(4,823)	(4,823)
Accounts payable		14,568	40,379	54,947
Accrued wages and benefits		13,795	893	14,688
Compensated absences payable		(2,955)	-	(2,955)
Pension obligation payable		11,488	-	11,488
Due to other funds		(1,071)	-	(1,071)
Due to other governments		3,878	-	3,878
Net cash provided (used) by operating activities	$	273,677	(5,464)	268,213

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

NOTE 1 – REPORTING ENTITY AND BASIS OF PRESENTATION

Monroe County, Ohio (the "County") was created in 1813. The County is governed by a board of three commissioners elected by the voters of the County. Other officials elected by the voters of the County who manage various segments of the County's operations are the County Auditor, County Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, a County Municipal Court Judge and a Common Pleas-Juvenile-Probate Court Judge.

Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as serve as the budget and taxing authority, contracting body, and the chief administrators of public services for the County, including each of these departments.

REPORTING ENTITY

The County's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity". The general purpose financial statements include all funds, account groups, agencies, boards, commissions, and component units for which the County and the County Commissioners are "accountable". Accountability as defined in GASB Statement No. 14 was evaluated based on financial accountability, the nature and significance of the potential component units (PCU) relationship with the County and whether exclusion would cause the County's general purpose financial statements to be misleading or incomplete. Among the factors considered were separate legal standing; appointment of a voting majority of the PCU's board; fiscal dependency and whether a benefit or burden relationship exists; imposition of will; and the nature and significance of the PCU's relationship with the County.

Based on the foregoing criteria, the financial activities of the following PCUs have been reflected in the accompanying general purpose financial statements:

DISCRETELY PRESENTED COMPONENT UNITS

Monroe Adult Crafts Organization, Inc. ("Workshop") – The Workshop is a legally separate, nonprofit corporation, served by a self-appointing board of trustees. The Workshop, under a contractual agreement with the Monroe County Board of Mental Retardation and Developmental Disabilities (MRDD), provides sheltered employment for adults with mental retardation or developmental disabilities in the County. MRDD provides the Workshop staff, salaries, transportation, equipment (except that used directly in the production of goods or rendering of services), staff to administer and supervise training programs, and other funds as necessary for the operation of the Workshop. Based on the significant services and resources provided by the County to the Workshop and the Workshop's sole purpose of providing assistance to mentally retarded or developmentally disabled adults of the County, the Workshop is reflected as a component unit of the County. It is reported separately to emphasize that it is legally separate from the County. Separately issued financial statements can be obtained from the Monroe Adult Crafts Organization, Inc., Woodsfield, Ohio.

NOTE 1 – REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

Monroe County Airport Authority ("Authority") – The Authority is a legally separate entity from the County. The County Commissioners do not appoint a voting majority of the Authority's Board. However, the County Commissioners have the ability to modify or approve the Authority's budget and a financial benefit or burden relationship exists since the County is legally obligated to finance deficits of the Authority. The County is financially accountable for the Authority and, therefore, the Authority is shown as a discretely presented component unit in the County's financial statements.

JOINTLY GOVERNED ORGANIZATIONS

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

Joint Solid Waste District ("District") – The County is a member of the District, which consists of Monroe, Guernsey, Morgan, Muskingum, Noble and Washington Counties. The purpose of the District is to make disposal of waste in the six-county area more comprehensive in terms of recycling, incinerating, and land filling. The District was created in 1989 as required by the Ohio Revised Code.

The District is governed and operated through three groups. An eighteen member Board of Directors, comprised of three Commissioners from each county, is responsible for the District's financial matters. The District's sole revenue source is a waste disposal fee for in-District and out-of-District waste. Although the County contributed monies to the District at the time of its creation, no contributions were paid by the County in 1999 and no future contributions are anticipated. A thirty-one member Policy Committee, comprised of five members from each county and one at-large member appointed by the Policy Committee, is responsible for preparing the solid waste management plan of the District in conjunction with a Technical Advisory Council whose members are appointed by the Policy Committee. The continued existence of the District is not dependent on the County's continued participation, no equity interest exists, and no debt is outstanding.

NOTE 1 – REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

Guernsey-Monroe-Noble Community Action Corporation ("GMN") – The GMN is a non-profit organization formed to plan, conduct, and coordinate programs designed to combat social and economic problems and to help eliminate conditions of poverty within Guernsey, Monroe, and Noble Counties. The Organization is governed by a fifteen-member Board of Directors which consists of three Commissioners from each county, three business owners from each county, and three low income individuals elected by each county. The three business owners are nominated by other local business owners and the three low income individuals are nominated by local town council meetings.

GMN receives federal and state funding which is applied for and received by, and in the name of, the Board of Directors. Continued existence of GMN is not dependent on the County's continued participation nor does the County have an equity interest in the Organization. GMN is not accumulating significant financial resources and is not experiencing fiscal distress that may cause an additional financial benefit to or burden on the County.

Southeast Ohio Juvenile Rehabilitation District ("SOJRD") – SOJRD is a jointly-governed organization among Monroe, Belmont, Harrison, Guernsey, Jefferson and Noble Counties. It was formed to operate a regional juvenile rehabilitation facility for the use of member counties, and to house and treat adjudicated, non-violent, felony offenders. The facility is operated and managed by SOJRD. The participating entities created a Judicial Rehabilitation Board, the members of which are made up of the juvenile court judges of each participating county, to determine policy.

A Board of Trustees has been created whose members are appointed by the juvenile court judges, of whom Belmont and Jefferson Counties have three appointees, Guernsey County has two appointees, and Harrison, Monroe, and Noble Counties each have one appointee. The facility is located on property now owned by the Judicial Rehabilitation Board. The Board is not dependent upon the County for its continued existence, no debt exists, and the County does not have an equity interest in, or a financial responsibility for, the Board.

Belmont, Harrison, and Monroe Counties Cluster ("Cluster") – The Cluster provides services to multi-need youth in Monroe, Belmont, and Harrison Counties. Members of the Cluster include the Belmont, Harrison, and Monroe Counties Alcohol, Drug Addiction, and Mental Health Services Board, the Children Services Board, the Belmont, Harrison, Monroe Drug and Alcohol Councils, Student Services, Belmont-Harrison Juvenile District, the Superintendent of Public Instruction, and the Directors of Youth Services, Human Services, and Mental Retardation and Developmental Disabilities.

The operation of the Cluster is controlled by an advisory Committee, which consists of a representative from each agency. The Cluster is not dependent upon the County for its continued existence, no debt exists, and the County does not have an equity interest in, or a financial responsibility for the Cluster.

NOTE 1 – REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

Belmont-Harrison-Monroe Counties Alcohol Drug Addiction and Mental Health Services Board ("Board") – The Board is responsible for delivery of comprehensive mental health and substance abuse services in Belmont, Harrison, and Monroe 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, six appointed by Commissioners of Belmont County, two each by Commissioners of Harrison and Monroe Counties and are proportionate to population, four by Ohio Department of Drug and Alcohol and four by the State Department of Mental Health. Each participating county's influence is limited to the number of members each appoints to the Board. The Board exercises total control of the budgeting, appropriation, contracting, and management. The Board is not dependent upon the County for its continued existence, no debt exists, and the County does not have an equity interest in, or a financial responsibility for the Board.

South Eastern Narcotics Team ("SENT") – SENT is a multi-jurisdictional drug task force with the primary goal of combating major narcotic traffickers in Monroe, Belmont, Carroll, Guernsey, Harrison, and Tuscarawas Counties. It is jointly governed among the participating counties and cities. A grant is received from the State of Ohio, which the participating entities must match at 25 percent. SENT is comprised of 32 members and each member's control over the operation of SENT is limited to its representation on the Board.

RELATED ORGANIZATIONS

Monroe County District Public Library ("Library") – The Library is statutorily created as a distinct political subdivision of the State of Ohio governed by a Board of Trustees consisting of seven members. The Monroe County Commissioners appoint four members, and the judges of the Monroe County Court of Common Pleas appoint three members. The County made no contributions to the Library during 1999. The Board of Trustees possesses its own contracting and budgeting authority, hires personnel and does not depend on the County for operational subsidies. Although the County does serve as the taxing authority of the Library, this is strictly a ministerial function. Once the Board of Trustees has determined that a levy is necessary, its amount, and its duration, the County must place the levy before the voters. The Library may issue debt or the County may provide facilities for the Library through the issuance of debt if the voters agree. The Library currently has no outstanding debt.

Monroe County Community Improvement Corporation ("CIC") – The CIC is a non-profit organization that was created under Ohio Revised Code Section 1724.04. Two-fifths of the governing board shall be mayors, county commissioners or appointed or elected public officials. The remaining three-fifths of the sixteen-member Board of Directors is comprised of volunteers. The CIC administers the County's Revolving Loan Fund (RLF), established with Community Development Block Grant Funds. The RLF is used to make loans to small businesses for the purchase of land, buildings, machinery, and equipment as well as working capital.

NOTE 1 – REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

POOLS

Buckeye Joint-County Health Benefit Trust ("Trust") – The Trust is an insurance purchasing pool created in August 1992 serving Monroe, Hocking, Perry, Pike and Washington Counties. The Trust was formed under Section 9.833 of the Ohio Revised Code for the purpose of establishing an insurance pool to fund health benefits for the County employees. Member counties provide operating resources to the Trust based on actuarially determined rates. Each participating county agrees to participate jointly in the coverage of losses and pay all contributions necessary for the specified insurance coverage provided by the Trust. A third party administers all claims payments. Monroe County does not have an ongoing financial interest or responsibility. The agreement between the County and the Trust indicates that a voluntary withdrawal or termination of the County shall constitute forfeiture of any pro rata share of the Trust's reserve fund. In the event of the termination of the Trust, current members shall be paid in an amount they have contributed to the Trust as of the last month of the Trust's existence.

The degree of control exercised by any participating government is limited to its representation on the Board. The Governing Board is composed of at least one County Commissioner from each of the participating counties. The Governing Board annually elects officers who include a Chairman and Vice-Chairman. The Governing Board must approve the expenses and investment of funds by the officers unless specific limits have been set by the Governing Board to permit otherwise.

Buckeye Joint-County Self-Insurance ("Council") – The Council is an insurance purchasing pool that serves Monroe, Athens, Hocking, Jackson, Lawrence, Meigs, Morgan, Noble, Perry, Pike, Vinton and Washington Counties and was formed as an Ohio not-for-profit corporation for the purpose of establishing an insurance pool to obtain general liability, law enforcement, professional, and fleet insurance. Member counties provide operating resources to the Trust based on actuarially determined rates. The degree of control exercised by any participating government is limited to its representation on the Board. The Governing Board is composed of at least one County Commissioner from each of the participating counties and annually elects officers who include a President, Vice President, Second Vice President, and two Governing Board members. The Governing Board must approve the expenses and investment of funds by the officers unless specific limits have been set by the Governing Board to permit otherwise.

In the event of losses, the first $250 to $1,000 of any valid claim, depending on type of loss, will be paid by the member. Payments, with a maximum pay out ranging from $100,000 to $2,000,000 per occurrence, will come from the self-insurance pool based on the member's percentage of contribution. If the aggregate claims paid by the pool exceed the available resources, the pool may require the members to make additional supplementary payments. The County does not have an ongoing financial interest or responsibility and the agreement with the Council indicates that a voluntary withdrawal or termination by any county shall constitute forfeiture of any pro rata share of the Council's reserve fund.

NOTE 1 – REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

County Commissioners Association of Ohio Workers' Compensation Group Plan ("Plan") – The County is participating in a group-rating plan for Workers' Compensation as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners Association Service Corporation (CCAOSC) was established through the County Commissioners Association of Ohio (CCAO) as a group purchasing pool. 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 the meeting held in December each year. No participant can have more than one member of the Group Executive Committee in any year, and each elected member shall be a County Commissioner.

The degree of control exercised by any participating government is limited to its representation on the Board. The Governing Board is composed of at least one County Commissioner from each of the participating counties. The Governing Board annually elects officers who include a Chairman and Vice-Chairman. The Governing Board must approve the expenses and investment of funds by the officers unless specific limits have been set by the Governing Board to permit otherwise.

EXCLUDED POTENTIAL COMPONENT UNITS

As counties are structured in Ohio, the County Auditor and County Treasurer, respectively, serve as the fiscal officer and custodian of funds for various agencies, boards, and commissions. As a fiscal officer, the Auditor certifies the availability of cash and appropriations prior to the processing of payments and purchases. As the custodian of all public funds, the Treasurer invests public moneys held on deposit in the County Treasury.

In the case of the separate agencies, boards, and commissions listed below, the County serves as fiscal agent and custodian, but is not accountable as defined by GASB Statement No. 14; therefore, the operations of the following PCUs have been excluded from the County's general purpose financial statements, but the funds held on behalf of these PCUs in the County Treasury are included in the agency funds.

Monroe County General Health District ("District") – The District is a separately elected governing body that is legally separate. The five-member Board of Directors which oversees the operation of the Health District is elected by a District Advisory Council comprised of township trustees, mayors of participating municipalities, and members of the Health District, and approves the District's budget; however, this oversight is ministerial. The County will report the District and its activity will be reported as an agency fund.

NOTE 1 – REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

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

The Monroe County Regional Planning Commission, Monroe County Family, Adult and Children First Council and the Monroe County Park District are presented as agency funds of the County because the County Auditor is the fiscal agent for these organizations.

Information in the notes to the general purpose financial statements is applicable to the primary government. When information is provided relative to the component units, it is specifically identified.

BASIS OF PRESENTATION – FUND ACCOUNTING

The County uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain County functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the governmental fund types because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the County are grouped into the following fund types: governmental, proprietary, and fiduciary.

Governmental Fund Types

Governmental funds are those through which most governmental functions typically are financed. The acquisition, use, and balances of the County's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the County's governmental fund types:

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

NOTE 1 – REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

Special Revenue Funds – limited by local, state and/or federal law for the financing of certain governmental functions (other than major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Funds - to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Type

Proprietary funds are used to account for the County's ongoing activities that are similar to those found in the private sector. The following is the County's proprietary fund type:

Enterprise Funds - to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that a periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Types

Fiduciary funds are used to account for assets the County holds in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and other funds. The only fiduciary funds of the County are agency funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

Account Groups

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

General Fixed Assets Account Group - to establish accounting control and accountability for all general fixed assets of the County not related to the proprietary funds.

General Long-Term Obligations Account Group - to account for all unmatured general long-term indebtedness of the County that is not a liability of the proprietary funds, including special assessment debt for which the County is obligated in some manner.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the County are prepared in conformity with generally accepted accounting principles (GAAP) for local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The significant accounting policies followed in the preparation of these financial statements are summarized below.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. All governmental fund types and agency funds are accounted for using the modified accrual basis of accounting.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the County is sixty days after year-end.

Non-exchange transactions, in which the County receives value without directly giving value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from grants, entitlements, and donation is recognized in the year in which all eligibility requirements have been satisfied. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In applying the susceptible to the accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest earnings, delinquent real and property taxes; sales taxes; federal and state grants; and charges for services.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2001, but which were levied to finance 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue. Levied special assessments are measurable, and have been recorded as a receivable. Since all assessments are due outside the available period, the entire amount has been deferred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type and the component units. Revenues are recognized when they are earned, and expenses are recognized when incurred.

BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

The legal level of budgetary control (that is, the level at which transfers of budget amounts cannot be made without legislative approval) is established at the object level within each department. Budgetary modification may only be made by resolution of the County Commissioners. Budgetary information for the Workshop and certain other funds is not reported because it is not included in the entity for which the "appropriated budget" is adopted and separate budgetary financial records are not maintained.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Budget

A tax budget of estimated revenues and expenditures for all funds 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.

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources that states the projected revenue of each fund. Prior to December 31, the County must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation ordinance. On or before January 31, the certificate of estimated resources is amended to include any unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the County Auditor determines that the revenue collected will be greater or less than the current estimates. The amounts reported in the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued for 2001.

Appropriations

The annual appropriation ordinance must be passed no later than April 1 of each year for the period January 1 to December 31. A temporary appropriation measure to control expenditures may be passed on or about January 1 of each year for the period from January 1 to March 31. The appropriation ordinance may be amended during the year, as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. During the year a number of supplemental appropriation measures were passed. The budget amounts that appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year-end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation lapses and is restored to the respective fund from which it was appropriated and becomes subject to future appropriation. The encumbered appropriation balance is carried forward to the succeeding year and is not reappropriated.

CASH AND CASH EQUIVALENTS

Cash balances of the County's funds, are pooled and invested in short-term investments in order to provide improved cash management. Each fund's interest in the pool is reported as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet.

During 2001, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2001.

Governmental Accounting Standards Board Statement No. 31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", requires that investments be recorded at their fair value and that changes in the fair value be reported in the operating statement.

Under existing Ohio statutes, all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Investment revenue credited to the general fund during 2001 amounted to $275,000, which includes approximately $250,000 assigned from other County funds.

The County has segregated bank accounts for monies held separate from the County's central treasury. These interest bearing accounts are presented on the combined balance sheet as "Cash and Cash Equivalents in Segregated Accounts" since they are not required to be deposited in the County treasury.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, funds included within the County's cash management pool and investments with original maturities of three months or less are considered to be cash equivalents.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond December 31, 2001 are recorded as prepaid items using the allocation method by recording a current asset for the prepaid amount and amortizing their cost over the periods benefiting from the advance payment. At year end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

INVENTORY OF SUPPLIES

Inventories of governmental funds are stated at cost using a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental funds when purchased and as expenses in the proprietary funds when used. Reported supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

FIXED ASSETS AND DEPRECIATION

General fixed assets (fixed assets used in governmental fund type operations) are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund.

All fixed assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Assets valued at less than $10,000 are not capitalized.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs, gutters, sidewalks, lighting systems, and drainage systems are not capitalized, as these assets are immovable and of value only to the government.

The County has elected not to record depreciation on assets in the general fixed assets account group. Depreciation for proprietary fund fixed assets is determined by allocating the cost of the fixed assets over the estimated useful lives of the assets on the straight-line basis. The estimated useful lives are as follows:

Buildings and improvements	40 years
Equipment and vehicles	10 years

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

COMPENSATED ABSENCES

The County follows the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". Vacation and compensatory time benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the County will compensate the employees for the benefits through paid time off or some other means. Sick leave termination benefits are accrued using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those employees for whom it is probable that they will become eligible to receive payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year-end.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using current expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

ACCRUED AND LONG-TERM LIABILITIES

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and long-term tax refund obligations are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable financial resources. Payments made more than sixty days after year-end are generally considered not to have been paid with current available resources. Bonds and capital leases are recognized as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds. Long-term liabilities are being repaid from the following funds:

Obligation	Fund
General obligation bonds	Debt Service Fund
Compensated absences	Will be paid from the fund(s) from which the employee's salary is paid.
Care Center improvement bonds	Care Center Enterprise Fund
Capital leases	Paid from the fund(s) which is utilizing the asset acquired.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INTERFUND ASSETS/LIABILITIES

Short-term interfund loans are classified as "interfund receivables/payables". Short-term interfund balances, related to charges for goods and services rendered are reflected as "due to/from other funds".

RESERVATION OF FUND BALANCES

Reservations of fund balances are established to identify the existence of assets that, because of their non-monetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure, or the portion of fund balance that is legally segregated for specific future use. Fund balances have been reserved for encumbrances, advances, loans receivable, prepayments, and inventories of materials and supplies.

ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

GRANTS AND OTHER INTERGOVERNMENTAL REVENUES

Grants made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. All other reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred.

INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers.

TOTAL COLUMNS ON COMBINED FINANCIAL STATEMENTS

Total columns on the combined 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, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD ADJUSTMENTS

Change in Accounting Principle

For 2001, the County implemented GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions.*

Prior Period Adjustments

In 2001, the County made a loan through its Community Development Block Grant revolving loan fund that was treated as a grant as opposed to a loan. The $350,000 loan should have been reported as a receivable at December 31, 2000. Fund balances for the following governmental fund types have been restated to account for this change in accounting principle and prior period adjustment:

		General Fund	Special Revenue Funds
Fund balance at beginning of year	$	371,137	2,899,130
GASB 33 implementation		58,295	173,127
Prior period adjustment		-	350,000
Fund balance at beginning of year, restated	$	429,432	3,422,257

The County elected to change its capitalization threshold for all fixed assets from $500 to $10,000. This change resulted in a reduction of net fixed assets for the Care Center enterprise fund at January 1, 2001 of $54,421. Thus, beginning retained earnings for the Care Center enterprise fund has been restated from $394,592 to $340,171.

The change in capitalization threshold also resulted in a decrease in the general fixed asset account group of $776,848 as detailed in Note 9.

NOTE 4 - BUDGET TO GAAP RECONCILIATION

Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law requires accounting for certain transactions according to cash receipts, disbursements, appropriations, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances, Budget and Actual (Non-GAAP Budget Basis), All Governmental Fund Types, is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

NOTE 4 - BUDGET TO GAAP RECONCILIATION (Continued)

The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance.

4. Proceeds from and principal payments on debt obligations are reported on the operating statement (budget basis) rather than a balance sheet transaction (GAAP basis).

The adjustments necessary to convert the results of operations for the year ended December 31, 2001, on the GAAP basis to the budget basis are as follows:

Excess of Revenues and Other Financing Sources Over (Under)
Expenditures and Other Financing Uses
Governmental Fund Types

		General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
GAAP Basis	$	2,843	(4,983)	842	48,784
Adjustments:					
Revenue accruals		18,111	(343,104)	-	463
Expenditure accruals		183,980	(45,555)	15,924	(86,931)
Encumbrances		(25,167)	(141,801)	-	-
Other sources		(14,137)	14,137	-	-
Transfers		(207,772)	(173,695)	(15,924)	90,258
Budget Basis	$	(42,142)	(695,001)	842	52,574

NOTE 5 - DEPOSITS AND INVESTMENTS

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

The County may deposit or invest monies in the following securities:

1. 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 or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by the federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements for a period not to exceed thirty days in securities listed above that mature within five years from the date of purchase;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit with eligible financial institutions or deposit or savings accounts, including, but not limited to, passbook accounts;
6. 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;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of debt 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 eligible 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.

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Cash on Hand

At year-end, the County had $65,889 in undeposited cash on hand which is included on the Balance Sheet as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits

At year-end, the carrying amount of the County's deposits was ($1,142,660) and the bank balance was $592,337. Of the bank balance, $404,835 was covered by federal depository insurance. The remaining amounts are considered uninsured and uncollaterialized.

Investments

GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that the County's investments be classified in categories of risk. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the County's name. STAR Ohio is unclassified since it is not evidenced by securities that exist in physical or book entry form. At December 31, 2001, the County's investment in STAR Ohio had a fair value of $5,989,244.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

		Cash and Cash Equivalents	Investments
GASB Statement 9	$	4,912,473	-
Investments:			
Cash on hand		(65,889)	
STAR Ohio		(5,989,244)	5,989,244
GASB Statement 3	$	(1,142,660)	5,989,244

Component Units

The County has two component units, the Airport Authority and the MACO Workshop. At December 31, 2001, the carrying amount and bank balance of the Airport Authority's deposits was $13,048 and was fully insured by federal deposit insurance. Also, at December 31, 2001, the MACO Workshop's carrying amount of cash was $56,534 and the bank balance was $61,841 all of which was insured by federal deposit insurance.

NOTE 6 - RECEIVABLES

Receivables at December 31, 2001 consisted of taxes, accounts, intergovernmental receivables arising from grants, entitlement and shared revenues, special assessments, interest on investments, fines and forfeitures, and loans. All receivables are considered fully collectible except for loans receivable which consist of low-interest loans for development projects granted to eligible businesses under the Community Development Block Grant (CDBG) program. The gross amount of loans outstanding as of December 31, 2001 is $447,607. The County has established an allowance of $63,042 for loans for which collection is doubtful. A summary of intergovernmental receivables follows:

		General	Special Revenue	Enterprise	Agency
Tax collection fees	$	87,716	66,861	-	-
Auto registration		-	453,300	-	101,900
Gasoline tax		-	652,800	-	465,500
Local government revenue sharing		137,900	-	-	112,800
Homestead and rollbacks		-	-	-	341,125
Jobs and Family Service state funding		-	161,470	-	-
MR/DD state funding		-	96,007	-	-
Medicaid reimbursement		-	-	135,177	-
Other		-	90,603	-	-
	$	225,616	1,521,041	135,177	1,021,325

NOTE 7 – INTERFUND ASSETS/LIABILITIES

Advances between funds are presented as interfund receivables/payables at December 31, 2001:

		Receivable	Payable
General Fund	$	37,630	-
Special Revenue Funds:			
Dog & Kennel		-	6,000
Litter		-	3,899
Monroe County Public Transit		-	20,000
CDBG Program Income		10,000	-
Juvenile Crime Enforcement		-	2,831
Community Corrections Grant		-	4,900
CHIP Grant		-	10,000
		10,000	47,630
Total	$	47,630	47,630

NOTE 7 – INTERFUND ASSETS/LIABILITIES (Continued)

In addition, the County has interfund assets/liabilities related to property tax collections which consist of the following due to/from other funds:

		Receivable	Payable
General Fund	$	827,191	-
Special Revenue Funds:			
Bus Fund		45,425	-
Mental Retardation		617,550	-
		662,975	-
Agency Funds:			
Park District		97,575	-
Soil and Water Conservation District		54,641	
Board of Health		116,790	
Knowlton Covered Bridge		1,984	
Undivided Property Taxes		-	1,761,156
		270,990	1,761,156
Total	$	1,761,156	1,761,156

NOTE 8 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible (used in business) property. The full tax rate for all County operations for the year ended December 31, 2001, was $6.50 per $1,000 of assessed value. The assessed values of real and tangible personal property upon which 2001 property tax receipts were based are as follows:

Real Property Assessed Valuation	$	139,746,770
Public Utility Property Assessed Valuation		46,889,390
Tangible Personal Property Assessed Valuation		67,269,640
Total	$	253,905,800

NOTE 8 - PROPERTY TAXES (Continued)

Real property taxes are levied each October on the assessed values as of the preceding January 1, the lien date. Assessed values are established by the County Auditor at 35% of appraised market value. A revaluation of real property is required to be completed no less than every six years, with a statistical update every third year. Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value, which is in general, book value. Tangible personal property is assessed at 25% of true value except for inventories, which are assessed at 25% of average value. The lien date is either December 31 or the end of their fiscal year.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 1. If paid semi-annually, the first payment is due January 1 with the remainder payable by June 20. Tangible personal property taxes for unincorporated and single county businesses are due semi-annually, with the first payment due April 30 and the remainder payable by September 20. Due dates are normally extended an additional 30 days. Amounts paid by multi-county taxpayers are due September 20. In 2001, each business was eligible to receive a $10,000 exemption in assessed value that was reimbursed by the state.

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected. Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies that are measurable as of December 31, 2001. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2001 operations. The receivable is therefore offset by a credit to deferred revenue.

NOTE 9 – FIXED ASSETS

Changes in general fixed assets during the year ended December 31, 2001, including the change in capitalization policy were as follows:

Asset Category		Balance 1/1/01	Additions	Deletions	Change in Policy	Balance 12/31/01
Land	$	77,966	-	-	(37,386)	40,580
Buildings and improvements		2,278,063	-	-	(20,734)	2,257,329
Vehicles and equipment		4,711,141	204,576	-	(718,728)	4,196,989
	$	7,067,170	204,576	-	(776,848)	6,494,898

NOTE 9 – FIXED ASSETS (Continued)

A summary of the proprietary funds' fixed assets at December 31, 2001 follows:

		Enterprise
Buildings and improvements	$	1,208,246
Furniture and equipment		24,942
Total		1,233,188
Less accumulated depreciation		(825,193)
Net fixed assets	$	407,995

NOTE 10 - DEFINED BENEFIT PENSION PLANS

Public Employees Retirement System

The County contributes to the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report that may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

The Ohio Revised Code provides statutory authority for employee and employer contributions. Plan members, other than law enforcement employees, are required to contribute 8.5% of their annual covered salary. In January 2001, House Bill 416 divided the PERS law enforcement programs into two separate divisions with separate employee contribution rates and benefits. The law enforcement classification consisted of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 10.1%. All other members of the PERS law enforcement program were placed in a newly named public safety division and continued to contribute at 9%. The County was required to contribute 13.55% of covered payroll for employees and 16.70% for employees engaged in law enforcement and public safety.

The County's required contributions to PERS for the years ended December 31, 2001, 2000, and 1999 were approximately $810,000, $605,000, and $755,000, respectively. The full amount has been contributed for 2000 and 1999. Approximately 91% has been contributed for 2001 with the remainder being reported as liabilities within the respective funds.

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

State Teachers Retirement System

The County contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board for certified teachers employed by the MR/DD Board. STRS provides basis retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issued a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3% of their annual covered salary and the County is required to contribute 14%. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The County's required contributions to STRS for the years ended December 31, 2001, 2000, and 1999 were approximately $80,000, $70,000, and $55,000, respectively; 91% has been contributed for 2001 and 100% for 2000 and 1999. The unpaid contribution for 2001 is recorded as a liability within the respective funds.

NOTE 11 - POSTEMPLOYMENT BENEFITS

Public Employees Retirement System

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The PERS law enforcement program was separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2001 employer contribution rate was 13.55% of covered payroll for employees not engaged in law enforcement; 4.3% was the portion that was used to fund health care for the year. The 2001 employer contribution rate was 16.70% and 4.30% was used to fund health care for both the law enforcement and public safety divisions.

Actuarial Review. The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2000.

Funding Method. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

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

Investment Return. The investment assumption rate for 2000 was 7.75%.

Active Employee Total Payroll. An annual increase of 4.75% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75% base increase, were assumed to range from 0.54% to 5.1%.

Health Care. Health care costs were assumed to increase 4.75% annually.

The OPEB's are advance-funded on an actuarially determined basis. The number of active contributing participants was 411,076. The portion of the County's contributions that were used to fund postemployment benefits was approximately $275,000. At December 31, 2000, the actuarial value of the Retirement System's net assets available for OPEB was $11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $14,364.6 million and $2,628.7 million, respectively.

State Teachers Retirement System

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement Systems (STRS). 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. Benefits are funded on a pay-as-you-go basis.

STRS 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 Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For the year ended June 30, 2000, the board allocated employer contributions equal to 8% of covered payroll to the Health Care Reserve Fund. For the County, this amount equaled approximately $46,000 during 2001. STRS pays health care benefits from the Health Care Reserve Fund. The balance in the fund was $3,419 million at June 30, 2000. For the year ended June 30, 2000, net health care costs paid by STRS were $283,137,000 and STRS had 99,011 eligible benefit recipients.

NOTE 12 – OTHER EMPLOYEE BENEFITS

Compensated Absences

County employees earn vacation and sick leave at varying rates based upon length of service and department policy. They may earn compensatory time at one and one-half times their regular rate of pay in lieu of overtime pay for all hours worked in excess of the 40-hour workweek. In the case of death or separation from employment, an employee (or their estate) is paid for any unused vacation or compensatory leave.

The obligation for accrued unpaid vacation and compensatory time for the County as a whole amounted to $336,075 at December 31, 2001. Sick leave is cumulative without limit. In the event of death or separation, an employee (or their estate) is paid one-fourth of their accumulated sick leave. The obligation for accrued unpaid sick leave for the County as a whole amounted to $111,083 at December 31, 2001.

NOTE 13 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2001, the County contracted with the Buckeye Joint County Self-Insurance Council (a risk sharing pool, see Note 1) for real property, building contents, vehicles, inland marine, crime, boiler and machinery and general liability coverage. Each member pays a premium for their coverage and the agreement provides that the Council will be self-sustaining through member premiums. The County also maintain crime insurance in the amount of $500,000 each on its food stamp program and on County monies and securities. Finally, the County pays all elected official bonds as required by state statute. Claim payments have not exceeded coverage in the past three years. There was no decline in the level of coverage from the prior year.

NOTE 14 - CAPITALIZED LEASES

The County has entered into a capitalized lease for a copier. The asset under capital lease was capitalized in the general fixed asset account group at $8,838, which represented the present value of the future minimum lease payments at acquisition. A corresponding liability was recorded in the general long-term obligations account group. The capital lease payments are reflected in the respective fund as debt service expenditures.

NOTE 14 - CAPITALIZED LEASES (Continued)

The following is a schedule of future minimum lease payments under the capital leases, with the net present value of the minimum lease payments as of December 31, 2001.

	Year Ending December 31		
	2002	$	2,150
	2003		2,150
	2004		1,792
Minimum lease payments			6,092
Less amount representing interest			656
Present value of minimum lease payments		$	5,436

NOTE 15 - LONG-TERM OBLIGATIONS

Changes in long-term obligations during 2001 were as follows:

General Long-Term Obligations		Balance at 1/1/01	Increases	Decreases	Balance at 12/31/01
General Obligation Bonds:					
1995 Public Assistance, 9.00%	$	110,000	-	35,000	75,000
1998 Senior Center, 4.75%		356,507	-	8,400	348,107
Total		466,507	-	43,400	423,107
Tax refund		68,558	-	68,558	-
Capital leases payable		7,079	-	1,643	5,436
Compensated absences payable		363,115	-	13,006	350,109
Total general long-term obligations	$	905,259	-	126,607	778,652

General obligation bonds are direct obligations of the County for which its full faith and credit are pledged for repayment and will be repaid from the Debt Service Fund. The final maturity dates of the 1995 Public Assistance Bonds and the Senior Center Bonds are December 1, 2003 and June 1, 2028, respectively.

The tax refund was a long-term obligation for repayment to Texas Eastern Transmission Corporation, a public utility company, for tax years 1991-1996. The repayment of taxes was deducted over ten tax settlements ending with the second half of the 2001 tax year. Compensated absences will be paid from the fund from which the person is paid while the capital leases will be repaid from the fund utilizing the leased asset.

NOTE 15 - LONG-TERM OBLIGATIONS (Continued)

Proprietary Fund Obligations		Balance at 1/1/01	Increases	Decreases	Balance at 12/31/01
Enterprise Funds:					
Revenue Bonds:					
1995 Care Center Improvement, 5.95%	$	370,000	-	15,000	355,000
1989 Care Center Improvement, 7.88%		300,000	-	-	300,000
Total enterprise fund obligations	$	670,000	-	15,000	655,000

The Care Center Improvement Bonds were issued to provide funding for various repairs and improvements to the Care Center. These bonds will be paid from revenues derived from the operation of the Care Center. The liability is reported in the Care Center Enterprise Fund.

As of December 31, 2001, the County's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was $4,885,480.

Principal and interest requirements to retire the County's outstanding obligations at December 31, 2001 were:

		General Obligation Bonds	Revenue Bonds	Total
2002	$	72,085	156,389	228,474
2003		63,467	81,321	144,788
2004		25,380	82,918	108,298
2005		25,419	79,366	104,785
2006		25,335	75,813	101,148
2007-2011		126,813	258,247	385,060
2012-2016		126,739	157,553	284,292
2017-2021		126,432	-	126,432
2022-2025		70,369	-	70,369
	$	662,039	891,607	1,553,646

NOTE 16 – NOTES PAYABLE

A summary of the note transactions for the year ended December 31, 2001 follows:

		Balance at 1/1/01	Issued	Retired	Balance at 12/31/01
General Fund:					
Sheriff Cruisers Loan, 5.14%	$	29,900	-	14,569	15,331
Special Revenue Fund:					
MVGT Fund					
Issue II Loan, 0%		63,262	-	12,652	50,610
Engineer Loan, 5.30%		49,540	-	49,540	-
Total all funds	$	142,702	-	76,761	65,941

All of the notes are backed by the full faith and credit of the County. The Sheriff Cruisers Loan will be fully retired in the year 2002 and the Issue II loan will mature in the year 2006.

NOTE 17 – DISCRETELY PRESENTED COMPONENT UNITS

Condensed Balance Sheet
December 31, 2001

		MACO Workshop	Airport Authority	Total
Assets				
Current assets	$	96,322	13,048	109,370
Property, plant and equipment, net		26,709	-	26,709
Total assets		123,031	13,048	136,079
Liabilities				
Current liabilities		8,242	38,523	46,765
		8,242	38,523	46,765
Fund equity				
Retained earnings		114,789	(25,475)	89,314
Total liabilities and equity	$	123,031	13,048	136,079

NOTE 17 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

**Condensed Statement of Revenue, Expenses and Changes in Fund Equity
Year Ended December 31, 2001**

		MACO Workshop	Airport Authority	Total
Operating revenues	$	155,567	-	155,567
Operating expenses:				
Operating expenses and other		138,075	57,508	195,583
Depreciation		6,183	-	6,183
Operating income (loss)		11,309	(57,508)	(46,199)
Nonoperating revenues (expenses)		-	23,949	23,949
Net income (loss)		11,309	(33,559)	(22,250)
Retained earnings at beginning of year		103,480	8,084	111,564
Retained earnings at end of year	$	114,789	(25,475)	89,314

NOTE 18 – CONTINGENT LIABILITIES

Federal and State Grants

The County received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. The County believes all expenditures meet grant qualifications.

Litigation

The County is of the opinion that ultimate disposition of claims and legal proceedings will not have a material effect on the financial condition of the County.

NOTE 19 – FOOD STAMPS

The County's Department of Human Services (Welfare) distributes, through contracting issuance centers, federal food stamps to entitle recipients within Monroe County. The receipt and issuance of these stamps have the characteristics of a federal grant. However, the Department of Human Services merely acts in an intermediary capacity. Therefore, the inventory value of these stamps is not reflected in the accompanying financial statements, as the only economic interest related to these stamps rests with the ultimate recipient.

MONROE COUNTY, OHIO

Schedule of Prior Audit Findings

Year Ended December 31, 2001

The prior audit disclosed no instances of noncompliance that were required to be reported in accordance with *Government Auditing Standards* or noncompliance with requirements of major federal programs. In addition, no reportable conditions or material weaknesses with respect to internal controls over financial reporting or internal controls over compliance were reported in the prior year.

MONROE COUNTY
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2001

Federal Grantor/Program Title	Federal CFDA Number	Pass-through Entity Number	Expenditures
U.S. Department of Agriculture			
Passed through the Buckeye-Hills Hocking Valley Regional Development District:			
Food Distribution	10.570	none	$ 8,071
Passed through the Ohio Department of Health:			
Women, Infants and Children (WIC)	10.557	n/a	88,272
Total U.S. Department of Agriculture			96,343
U.S. Department of Housing and Urban Development			
Passed through Ohio Department of Development:			
Community Development Block Grants:			
Community Housing Improvement Program	14.228	B-C-99-052-1	41,745
Community Housing Improvement Program	14.228	B-C-01-052-1	8,877
Economic Development Grant	14.228	B-E-00-052-1	201,347
Small Cities Program	14.228	B-F-99-052-1	20,000
Small Cities Program	14.228	B-F-00-052-1	94,494
Revolving Loan Program	14.228	B-M-98-052-1	4,948
			371,411
Home Investment Partnership Program	14.239	B-C-99-052-2	185,108
Total U.S. Department of Housing and Urban Development			556,519
U.S. Department of Justice			
Local Law Enforcement Block Grant	16.592	n/a	13,398
Total U.S. Department of Justice			13,398
U.S. Department of Labor			
Passed through Ohio Bureau of Employment Services:			
JTPA Cluster:			
Job Training Partnership Act (Clean Air)	17.246	n/a	566,097
Job Training Partnership Act (Windsor Coal)	17.246	n/a	17,328
Total JTPA Cluster			583,425
Passed through Ohio Department of Jobs and Family Services:			
One-Stop Career Center Initiative	17.257	n/a	1,030
One-Stop Career Center Initiative (WIA Administration)	17.257	n/a	23,730
			24,760
WIA Cluster:			
Workforce Investment Act Adult Program	17.258	n/a	256,474
Workforce Investment Act Youth Activities	17.259	n/a	208,933
Workforce Investment Act Dislocated Workers	17.260	n/a	81,844
Total WIA Cluster			547,251
Total U.S. Department of Labor			1,155,436

MONROE COUNTY
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2001

Federal Grantor/Program Title	Federal CFDA Number	Pass-through Entity Number	Expenditures
U.S. Department of Transportation			
Passed through Ohio Department of Transportation:			
Formula Grants for Other Than Urbanized Areas	20.509	4056-016-97	136,176
Total U.S. Department of Transportation			136,176
Appalachian Regional Commission			
Passed through Ohio Department of Development:			
Appalachian Regional Development	23.001	n/a	194,275
Appalachian State Research, Technical Assistance and Demonstration Project	23.011	n/a	33,021
Total Appalachian Regional Commission			227,296
Federal Emergency Management Agency			
Passed through Ohio Emergency Management Agency:			
Emergency Management Assistance Program	83.552	n/a	8,837
Total Federal Emergency Management Agency			8,837
U.S. Department of Education			
Passed through the Ohio Department of Health:			
Special Education - Grants for Infants and Families with Disabilities (Early Intervention)	84.181	n/a	28,576
Special Education - Grants for Infants and Families with Disabilities (Help Me Grow)	84.181	n/a	27,588
Total U.S. Department of Education			56,164
U.S. Department of Health and Human Services			
Passed through the Buckeye-Hills Hocking Valley Regional Development District:			
Aging Cluster:			
Homemaker/Housekeeper	93.044	none	24,266
Older Americans Act Title III B	93.044	none	33,554
Older Americans Act Title III C	93.045	none	42,681
Total Aging Cluster			100,501
Passed through Ohio Department of Health:			
Immunization Action Plan	93.268	n/a	16,250
Low-Income Home Energy Assistance	93.568	n/a	1,485
Passed through Ohio Department of Jobs and Family Services:			
Temporary Assistance for Needy Families	93.558	n/a	22,754
Temporary Assistance for Needy Families (PRC-SY)	93.558	n/a	91,727
			114,481

MONROE COUNTY
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2001

Federal Grantor/Program Title	Federal CFDA Number	Pass-through Entity Number	Expenditures
Passed through the Ohio Department of Mental Retardation and Developmental Disabilities:			
Social Services Block Grant - Title XX	93.667	n/a	17,228
Total U.S. Department of Health and Human Services			249,945
TOTAL FEDERAL FINANCIAL ASSISTANCE			$ 2,500,114

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

Note A - Significant Accounting Policies
This schedule of expenditures of federal awards is a summary of the activity of the County's federal awards programs. The schedule has been prepared on the cash basis of accounting.

Note B - Community Development Block Grant (CDBG) Revolving Loan Programs
The County has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-to-moderate income households. The U.S. Department of Housing and Urban Development (HUD) grants money for these loans to the County passed through the Ohio Department of Development. The initial loan of this money is recorded as an expenditure on the accompanying schedule. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as expenditures on the schedule.

These loans are collateralized by mortgages on real estate and liens on business equipment. At December 31, 2001, the gross amount of loans outstanding under this program was approximately $448,000.

Note C - 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 and the expenditure of matching funds is not included on the Schedule.

Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

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

To the Board of Commissioners
Monroe County, Ohio:

We have audited the general purpose financial statements of Monroe County, Ohio as of and for the year ended December 31, 2001, and have issued our report thereon dated May 29, 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 Monroe County, Ohio's general purpose 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 Monroe County Ohio'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 operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management in a separate letter dated May 29, 2002.

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
May 29, 2002

Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

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

To the Board of Commissioners
Monroe County, Ohio:

Compliance

We have audited the compliance of Monroe County, Ohio 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, 2001. Monroe County, Ohio's major federal programs are identified in the summary of auditors' 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 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 generally accepted auditing standards; 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 the County's compliance with those requirements performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Monroe County, Ohio complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2001.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
May 29, 2002

MONROE COUNTY, OHIO

Schedule of Findings and Questioned Costs

Year Ended December 31, 2001

Section I - Summary of Auditors' Results

Financial Statements

Type of report issued on financial statements:	unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	none
Reportable condition(s) identified not considered to be material weaknesses?	none
Noncompliance material to financial statements noted?	none

Federal Awards

Internal Control over major programs:	
Material weakness(es) identified?	none
Reportable condition(s) identified not considered to be material weaknesses?	none
Type of auditors' report issued on compliance for major programs:	unqualified
Any audit findings that are required to be reported in accordance with Circular A-133, Section .510(a)?	none

Identification of major programs:

CFDA 14.228 Community Development Block Grants
CFDA 17.258, 17.259 & 17.260 WIA Cluster

Dollar threshold to distinguish between Type A and Type B Programs:	$300,000
Auditee qualified as low-risk auditee?	yes

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.

STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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FINANCIAL CONDITION

MONROE 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
JULY 16, 2002