

MONROE COUNTY, OHIO

Basic Financial Statements

Year Ended December 31, 2004

With

Independent Auditors' Report



**Auditor of State
Betty Montgomery**

Board of County Commissioners
Monroe County
101 North Main Street
Woodsfield, Ohio 43793

We have reviewed the *Independent Auditors' Report* of Monroe County prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2004 through December 31, 2004. 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

November 9, 2005

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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 County Commissioners
Monroe County, Ohio:

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Monroe County, Ohio (the County) as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Monroe County, Ohio as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General, Public Assistance, Maintenance, and Mental Retardation funds for the year then ended in conformity with accounting principles generally accepted in the United States of America

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2005 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. 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 basic financial statements of the County. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Clark, Schaefer, Haskett & Co.

Cincinnati, Ohio
June 23, 2005

MONROE COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2004

The discussion and analysis of Monroe County's financial performance provides an overall review of the County's financial activities for the year ended December 31, 2004. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for the year 2004 are as follows:

- Net assets of governmental activities increased \$531,362.
- Net assets of governmental activities are \$9,015,589. Of this amount, \$317,670, or 4 percent, is unrestricted and may be used to meet the County's ongoing obligations. Net assets of governmental activities make up 96 percent of the County's total net assets of \$9,401,875.
- Total assets remained constant, increasing only \$271,995, or less than 2 percent. This increase was the result of capital assets increasing \$759,853, or 22 percent from the previous year offset by various decreases in cash and receivables.
- The County had \$12,841,094 in expenses related to governmental activities; only \$6,370,699 of these expenses are offset by program specific charges for services, grants, and contributions. General revenues of \$7,001,757 were adequate to provide for these programs.
- Property and sales taxes are \$4,901,220, or 70 percent of total general revenues. Eighty-seven percent of program revenues are from operating grants and contributions.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Monroe County, Ohio as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole County, presenting both an aggregate view of the County's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term, as well as what remains for future spending. The fund financial statements also look at the County's most significant funds with all other non-major funds presented in total in one column.

MONROE COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2004

Reporting the County as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the County to provide programs and activities for citizens, the view of the County as a whole looks at all financial transactions and asks the question, "How did we do financially during year 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the County's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the County as a whole, the financial position of the County has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, and other factors.

In the Statement of Net Assets and the Statement of Activities, the County is divided into three kinds of activities:

- Governmental Activities – Most of the County's programs and services are reported here.
- Business-Type Activities – These services have a charge based upon the amount of usage. The County's sole business-type activity is the Care Center.
- Component Units – The County includes the Monroe County Airport Authority (Airport Authority) and Monroe Adult Crafts Organization, Inc. (MACO Workshop) in its report. Although legally separate, these component units are important because they are fiscally dependent on the County.

Reporting the County's Most Significant Funds

Fund Financial Statements

The analysis of the County's major funds is included in the fund financial statements. Fund financial reports provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the general fund, public assistance, maintenance, and the mental retardation fund.

Governmental Funds Most of the County's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

MONROE COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2004

Proprietary Funds - Proprietary funds are used to report the same functions presented as business-type activities on the County as a Whole financial statements. The County's sole proprietary fund is the Care Center Enterprise Fund.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected on the County as a Whole financial statements because the resources from those funds are not available to support the County's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided on the government-wide and fund financial statements.

The County as a Whole

Recall that the Statement of Net Assets provides the perspective of the County as a whole. Table 1 provides a summary of the County's net assets for 2004 compared to 2003.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Assets						
Current and Other Assets	\$ 7,710,785	\$ 8,292,277	\$ 1,425,630	\$ 1,331,996	\$ 9,136,415	\$ 9,624,273
Capital Assets, net	<u>3,852,776</u>	<u>3,064,187</u>	<u>320,303</u>	<u>349,039</u>	<u>4,173,079</u>	<u>3,413,226</u>
Total Assets	<u>11,563,561</u>	<u>11,356,464</u>	<u>1,745,933</u>	<u>1,681,035</u>	<u>13,309,494</u>	<u>13,037,499</u>
Liabilities						
Current and Other Liabilities	1,892,390	2,174,311	294,192	300,469	2,186,582	2,474,780
Long-Term Liabilities	<u>655,582</u>	<u>697,926</u>	<u>1,065,455</u>	<u>1,133,720</u>	<u>1,721,037</u>	<u>1,831,646</u>
Total Liabilities	<u>2,547,972</u>	<u>2,872,237</u>	<u>1,359,647</u>	<u>1,434,189</u>	<u>3,907,619</u>	<u>4,306,426</u>
Net Assets						
Invested in Capital Assets						
Net of Debt	3,576,749	2,776,732	15,303	24,039	3,592,052	2,800,771
Restricted	5,121,170	5,373,607	562,876	562,377	5,684,046	676,927
Unrestricted	<u>317,670</u>	<u>333,888</u>	<u>(191,893)</u>	<u>(339,570)</u>	<u>125,777</u>	<u>5,253,375</u>
Total Net Assets	<u>\$ 9,015,589</u>	<u>\$ 8,484,227</u>	<u>\$ 386,286</u>	<u>\$ 246,846</u>	<u>\$ 9,401,875</u>	<u>\$ 8,731,073</u>

Total assets increased \$271,995. Capital assets increased \$759,853 due to the capitalization of certain infrastructure items and other capital asset purchases. Total liabilities decreased \$398,807.

MONROE COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2004

Table 2 shows the changes in net assets for the year ended December 31, 2004. Table 2 provides a summary of the County's changes in net assets for 2004 compared to 2003.

Table 2
Change in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Revenues						
Program Revenues:						
Charges for Services and Sales	\$ 578,797	\$ 602,509	\$ 2,933,333	\$ 2,444,502	\$ 3,512,130	\$ 3,047,011
Operating Grants and Contributions	5,518,112	6,497,677	-	-	5,518,112	6,497,677
Capital Grants and Contributions	273,790	302,868	-	-	273,790	302,868
General Revenues:						
Property Taxes	1,815,882	1,502,910	-	-	1,815,882	1,502,910
Sales Taxes	3,085,338	2,651,445	-	-	3,085,338	2,651,445
Grants and Entitlements	189,227	1,156,999	-	-	189,227	1,156,999
Payment in Lieu of Taxes	372,272	395,949	-	-	372,272	395,949
Investment Earnings	84,730	61,497	-	-	84,730	61,497
Miscellaneous	1,454,308	1,614,981	2,454	6,781	1,456,762	1,621,762
Total Revenues	<u>13,372,456</u>	<u>14,786,835</u>	<u>2,935,787</u>	<u>2,451,283</u>	<u>16,308,243</u>	<u>17,238,118</u>
Expenses						
Legislative and Executive	1,248,252	1,325,085	-	-	1,248,252	1,325,085
Judicial	528,544	496,327	-	-	528,544	496,327
Public Safety	2,274,798	1,873,871	-	-	2,274,798	1,873,871
Public Works	2,765,163	2,339,553	-	-	2,765,163	2,339,553
Health	1,289,176	1,397,371	-	-	1,289,176	1,397,371
Human Services	4,043,990	4,692,548	-	-	4,043,990	4,692,548
Economic Development	173,566	293,847	-	-	173,566	293,847
Other	490,036	579,955	-	-	490,036	579,955
Interest and Fiscal Charges	27,569	29,705	-	-	27,569	29,705
Care Center	-	-	2,796,347	2,780,369	2,796,347	2,780,369
Total Expenses	<u>12,841,094</u>	<u>13,028,262</u>	<u>2,796,347</u>	<u>2,780,369</u>	<u>15,637,441</u>	<u>15,808,631</u>
Change in Net Assets	<u>\$ 531,362</u>	<u>\$ 1,758,573</u>	<u>\$ 139,440</u>	<u>\$ (329,086)</u>	<u>\$ 670,802</u>	<u>\$ 1,429,487</u>

In 2004, 34 percent of the County's revenues were from operating grants and contributions and 30 percent were from property and sales taxes.

Program revenues accounted for 57 percent of the County's revenues in fiscal year 2004. These revenues consist of various federal and state grants and charges for services and sales at the Care Center.

Operating grants and contributions decreased 15 percent because the County did not receive a grant totaling approximately \$600,000 from the Appalachian Technology Workforce Initiative in 2004.

Expenses relating to human services decreased 14 percent due to the expenses in connection with the Appalachian Technology Workforce Initiative described above not being present in 2004.

MONROE COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2004

Governmental Activities

Operating grants were the largest program revenue, accounting for \$5,518,112 or 41 percent of total governmental revenues. The major recipients of intergovernmental program revenues were the Public Assistance, Maintenance, and Mental Retardation funds.

The County's direct charges to users of governmental services made up \$578,797 or 4 percent of total governmental activities' revenues. These charges are for fees from various sources such as impound and emergency service fees, among others.

Property tax revenues account for \$1,815,882 of total revenues for governmental activities, or 14 percent of total revenues. Another major component of general revenues was sales taxes, which accounted for \$3,085,338 or 23 percent of total governmental expenses.

Table 3, for governmental activities, indicates the total cost of services and the net cost of services. The statement of activities reflects the cost of program services and the charges for services, sales, grants, and contributions offsetting those specific services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues.

Table 3
Governmental Activities

	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>	Total Cost of Services <u>2003</u>	Net Cost of Services <u>2003</u>
General government:				
Legislative and executive	\$ 1,248,252	\$ 1,048,601	\$ 1,325,085	\$ 1,029,568
Judicial	528,544	265,550	496,327	337,892
Public safety	2,274,798	529,205	1,873,871	176,358
Public works	2,765,163	2,123,338	2,339,553	1,893,525
Health	1,289,176	(390,006)	1,397,371	723,023
Human services	4,043,990	2,376,244	4,692,548	741,298
Economic development	173,566	164,056	293,847	123,902
Other	490,036	325,838	579,955	569,937
Interest and fiscal charges	<u>27,569</u>	<u>27,569</u>	<u>29,705</u>	<u>29,705</u>
Total expenses	<u>\$ 12,841,094</u>	<u>\$ 6,470,395</u>	<u>\$ 13,028,262</u>	<u>\$ 5,625,208</u>

Business-Type Activities

The net assets for business-type activities increased \$139,440 during 2004. Major revenue sources were charges for services of \$2,933,333.

The County Funds

The County's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$13,226,253 and expenditures of \$13,662,832. There were no significant changes in the County's major funds from the previous year, which include the general public assistance, maintenance, and mental retardation fund.

MONROE COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2004

General Fund Budgeting Highlights

The County's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of 2004, the County amended its general fund appropriations, and the budgetary statement reflects both the original and final appropriated amounts. For the General Fund, original budgeted revenues were approximately \$3,401,925, and final budgeted revenues were approximately \$3,376,075. Revenues from property taxes proved lower than anticipated in the original budget. Original budgeted expenditures were approximately \$3,241,451 and final budgeted expenditures were approximately \$3,257,906. Public safety and others costs proved to be higher than anticipated in the original budget.

Capital Assets and Debt Administration

Capital Assets

At the end of the year 2004, the County's primary government had \$4,173,079 invested in capital assets. U.S. generally accepted accounting principles require that general depreciable capital assets be carried at cost, or estimated historical cost, and depreciated over the remaining useful lives of the capital assets. Infrastructure assets purchased during 2004 are capitalized by the County. The capitalization threshold for the County is \$10,000 for buildings, improvements, equipment and vehicles and \$15,000 for infrastructure. Table 4 shows year 2004 balances compared to 2003.

Table 4
Capital Assets at December 31

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Capital Not Depreciated:						
Land	\$ 40,580	\$ 40,580	\$ -	\$ -	\$ 40,580	\$ 40,580
Total Capital Assets Not Depreciated	<u>40,580</u>	<u>40,580</u>	<u>-</u>	<u>-</u>	<u>40,580</u>	<u>40,580</u>
Capital Being Depreciated:						
Infrastructure	1,875,454	1,171,613	-	-	1,875,454	1,171,613
Buildings and Improvements	2,488,689	2,487,329	1,208,246	1,208,246	3,696,935	3,695,575
Vehicles and Equipment	3,582,317	3,117,228	24,942	24,942	3,607,259	3,142,170
Total Capital Assets Being Depreciated	<u>7,946,460</u>	<u>6,776,170</u>	<u>1,233,188</u>	<u>1,233,188</u>	<u>9,179,648</u>	<u>8,009,358</u>
Accumulated Depreciation	<u>(4,134,264)</u>	<u>(3,746,928)</u>	<u>(912,855)</u>	<u>(884,149)</u>	<u>(5,047,119)</u>	<u>(4,631,077)</u>
Total Capital Assets	<u>\$ 3,852,776</u>	<u>\$ 3,069,822</u>	<u>\$ 320,303</u>	<u>\$ 349,039</u>	<u>\$ 4,173,079</u>	<u>\$ 3,418,861</u>

See the Note 7 for more detailed information of the County's capital assets.

MONROE COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2004

Debt

At December 31, 2004, the County had \$1,721,037 in long-term obligations, \$331,460 of which are due within one year.

Table 5
Outstanding Debt at December 31

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
General Obligation Bonds	\$ 276,027	\$ 285,727	\$ -	\$ -	\$ 276,027	\$ 285,727
Revenue Bonds	-	-	974,197	1,048,262	974,197	1,048,262
Capital Lease Payable	-	1,728	-	-	-	1,728
Compensated Absences	379,555	410,471	91,258	85,458	470,813	495,929
Total	<u>\$ 655,582</u>	<u>\$ 697,926</u>	<u>\$ 1,065,455</u>	<u>\$ 1,133,720</u>	<u>\$ 1,721,037</u>	<u>\$ 1,831,646</u>

See the Note 12 for more detailed information of the County's outstanding debt.

Economic Factors

The County is currently stable financially. Department heads are continuing to remain within their appropriated budgets for the year.

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Pandora Neuhart, Auditor, Monroe County Court House, 101 North Main Street, Room 22, Woodsfield, Ohio 43793.

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MONROE COUNTY, OHIO

Statement of Net Assets

December 31, 2004

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	MACO Workshop	Airport Authority
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 3,952,608	\$ 1,273,356	\$ 5,225,964	\$ 50,550	\$ 31,474
Taxes Receivable	1,284,764	-	1,284,764	-	-
Accounts Receivable	41,617	141,794	183,411	9,028	-
Intergovernmental Receivable	1,837,252	-	1,837,252	-	-
Prepaid Items	36,253	480	36,733	338	-
Sales Taxes Receivable	202,104	-	202,104	-	-
Loans Receivable	322,187	-	322,187	-	-
Inventory Held for Resale	-	-	-	52,201	-
Materials and Supplies Inventory	34,000	10,000	44,000	-	-
Nondepreciable Capital Assets	40,580	-	40,580	-	108,727
Depreciable Capital Assets, net	3,812,196	320,303	4,132,499	21,290	4,884
<i>Total Assets</i>	<u>11,563,561</u>	<u>1,745,933</u>	<u>13,309,494</u>	<u>133,407</u>	<u>145,085</u>
Liabilities					
Accounts Payable	403,623	71,988	475,611	5,093	25,759
Accrued Wages and Benefits	122,008	46,783	168,791	2,428	-
Intergovernmental Payable	56,944	175,421	232,365	-	-
Accrued Interest Payable	17,689	-	17,689	-	-
Deferred Revenue	1,034,679	-	1,034,679	-	-
Notes Payable	257,447	-	257,447	-	-
Long-Term Liabilities:					
Due Within One Year	184,219	147,421	331,640	-	-
Due In More Than One Year	471,363	918,034	1,389,397	-	-
<i>Total Liabilities</i>	<u>2,547,972</u>	<u>1,359,647</u>	<u>3,907,619</u>	<u>7,521</u>	<u>25,759</u>
Net Assets					
Invested in Capital Assets, Net of Related Debt	3,576,749	15,303	3,592,052	21,290	113,611
Restricted for:					
Special Revenue	4,238,712	-	4,238,712	-	-
Capital Projects	882,455	562,876	1,445,331	-	-
Debt Service	3	-	3	-	-
Unrestricted	317,670	(191,893)	125,777	104,596	5,715
<i>Total Net Assets</i>	<u>\$ 9,015,589</u>	<u>\$ 386,286</u>	<u>\$ 9,401,875</u>	<u>\$ 125,886</u>	<u>\$ 119,326</u>

See accompanying notes to the basic financial statements

MONROE COUNTY, OHIO
Statement of Activities
For the Year Ended December 31, 2004

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General Government:				
Legislative and Executive	\$ 1,248,252	\$ 199,651	\$ -	\$ -
Judicial	528,544	262,994	-	-
Public Safety	2,274,798	39,627	1,705,966	-
Public Works	2,765,163	310	367,725	273,790
Health	1,289,176	2,630	1,676,552	-
Human Services	4,043,990	879	1,666,867	-
Economic Development	173,566	5,506	4,004	-
Other	490,036	67,200	96,998	-
Interest and Fiscal Charges	27,569	-	-	-
<i>Total Governmental Activities</i>	<u>12,841,094</u>	<u>578,797</u>	<u>5,518,112</u>	<u>273,790</u>
Business-Type Activities:				
Care Center	2,796,347	2,933,333	-	-
<i>Total Business-Type Activities</i>	<u>2,796,347</u>	<u>2,933,333</u>	<u>-</u>	<u>-</u>
<i>Total - Primary Government</i>	<u>\$ 15,637,441</u>	<u>\$ 3,512,130</u>	<u>\$ 5,518,112</u>	<u>\$ 273,790</u>
Component Units				
MACO Workshop	\$ 183,939	\$ 155,128	\$ -	\$ -
Airport Authority	6,556	-	106,011	-
Totals - Component Units	<u>\$ 190,495</u>	<u>\$ 155,128</u>	<u>\$ 106,011</u>	<u>\$ -</u>

General Revenues

Property Taxes Levied for:

General Purposes

Special Revenue

Sales Tax

Grants and Entitlements not Restricted to Specific Programs

Payment in Lieu of Taxes

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year, as previously reported

Prior Period Adjustment

Net Assets Beginning of Year, as restated

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	MACO Workshop	Airport Authority
\$ (1,048,601)	\$ -	\$ (1,048,601)	\$ -	\$ -
(265,550)	-	(265,550)	-	-
(529,205)	-	(529,205)	-	-
(2,123,338)	-	(2,123,338)	-	-
390,006	-	390,006	-	-
(2,376,244)	-	(2,376,244)	-	-
(164,056)	-	(164,056)	-	-
(325,838)	-	(325,838)	-	-
(27,569)	-	(27,569)	-	-
<u>(6,470,395)</u>	<u>-</u>	<u>(6,470,395)</u>	<u>-</u>	<u>-</u>
-	136,986	136,986	-	-
-	136,986	136,986	-	-
<u>\$ (6,470,395)</u>	<u>\$ 136,986</u>	<u>\$ (6,333,409)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (28,811)	\$ -
-	-	-	-	99,455
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (28,811)</u>	<u>\$ 99,455</u>
\$ 865,155	\$ -	\$ 865,155	\$ -	\$ -
950,727	-	950,727	-	-
3,085,338	-	3,085,338	-	-
189,227	-	189,227	-	-
372,272	-	372,272	-	-
84,730	-	84,730	-	-
1,454,308	2,454	1,456,762	44,499	9,380
<u>7,001,757</u>	<u>2,454</u>	<u>7,004,211</u>	<u>44,499</u>	<u>9,380</u>
531,362	139,440	670,802	15,688	108,835
<u>8,489,862</u>	<u>246,846</u>	<u>8,736,708</u>	<u>110,198</u>	<u>4,856</u>
(5,635)	-	(5,635)	-	5,635
<u>8,484,227</u>	<u>246,846</u>	<u>8,731,073</u>	<u>110,198</u>	<u>10,491</u>
<u>\$ 9,015,589</u>	<u>\$ 386,286</u>	<u>\$ 9,401,875</u>	<u>\$ 125,886</u>	<u>\$ 119,326</u>

MONROE COUNTY, OHIO

*Balance Sheet
Governmental Funds
December 31, 2004*

	General	Public Assistance	Maintenance	Mental Retardation	Other Governmental Funds
Assets					
Equity in Pooled Cash and					
Cash Equivalents	\$ 188,674	\$ 318,338	\$ 984,873	\$ 172,077	\$ 2,288,646
Taxes Receivable	799,399	-	-	449,574	35,791
Accounts Receivable	22,938	6	604	862	17,207
Interfund Receivable	11,500	-	-	-	2,493
Intergovernmental Receivable	242,404	-	1,428,670	-	166,178
Prepaid Items	5,909	9,913	-	7,548	12,882
Sales Taxes Receivable	202,104	-	-	-	-
Materials and Supplies Inventory	4,000	7,000	22,200	-	800
Loans Receivable	-	-	-	-	322,187
<i>Total Assets</i>	<u>\$ 1,476,928</u>	<u>\$ 335,257</u>	<u>\$ 2,436,347</u>	<u>\$ 630,061</u>	<u>\$ 2,846,184</u>
Liabilities					
Accounts Payable	\$ 67,605	\$ 76,756	\$ 83,269	\$ 22,483	\$ 153,512
Interfund Payable	-	-	-	-	13,993
Accrued Wages and Benefits	52,221	22,274	31,617	17,733	27,237
Due to Other Governments	13,786	6,987	13,782	7,262	15,127
Deferred Revenue	985,554	-	942,437	449,574	108,068
Notes Payable	151,461	-	99,087	-	6,899
<i>Total Liabilities</i>	<u>1,270,627</u>	<u>106,017</u>	<u>1,170,192</u>	<u>497,052</u>	<u>324,836</u>
Fund Balances					
Reserved for Encumbrances	1	-	196,815	-	35,579
Reserved for Inventory	4,000	7,000	22,200	-	800
Reserved for Loans Receivable	-	-	-	-	322,187
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	202,300	-	-	-	-
Special Revenue Funds	-	222,240	1,047,140	133,009	1,953,742
Capital Project Funds	-	-	-	-	209,040
<i>Total Fund Balances</i>	<u>206,301</u>	<u>229,240</u>	<u>1,266,155</u>	<u>133,009</u>	<u>2,521,348</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 1,476,928</u>	<u>\$ 335,257</u>	<u>\$ 2,436,347</u>	<u>\$ 630,061</u>	<u>\$ 2,846,184</u>

See accompanying notes to the basic financial statements

MONROE COUNTY, OHIO
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2004*

Total Governmental Funds	Total Governmental Funds Balances	\$4,356,053																																																																																																																			
	<i>Amounts reported for governmental activities in the statement of net assets are different because</i>																																																																																																																				
<table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 5%;">\$</td><td style="width: 15%;">3,952,608</td><td style="width: 80%;"></td></tr> <tr><td></td><td>1,284,764</td><td></td></tr> <tr><td></td><td>41,617</td><td></td></tr> <tr><td></td><td>13,993</td><td></td></tr> <tr><td></td><td>1,837,252</td><td></td></tr> <tr><td></td><td>36,252</td><td></td></tr> <tr><td></td><td>202,104</td><td></td></tr> <tr><td></td><td>34,000</td><td></td></tr> <tr><td></td><td>322,187</td><td></td></tr> <tr><td colspan="3" style="border-top: 1px solid black;"></td></tr> <tr><td>\$</td><td>7,724,777</td><td></td></tr> <tr><td colspan="3" style="border-top: 1px solid black;"></td></tr> <tr><td>\$</td><td>403,625</td><td></td></tr> <tr><td></td><td>13,993</td><td></td></tr> <tr><td></td><td>151,082</td><td></td></tr> <tr><td></td><td>56,944</td><td></td></tr> <tr><td></td><td>2,485,633</td><td></td></tr> <tr><td></td><td>257,447</td><td></td></tr> <tr><td colspan="3" style="border-top: 1px solid black;"></td></tr> <tr><td></td><td>3,368,724</td><td></td></tr> <tr><td colspan="3" style="border-top: 1px solid black;"></td></tr> <tr><td></td><td>232,395</td><td></td></tr> <tr><td></td><td>34,000</td><td></td></tr> <tr><td></td><td>322,187</td><td></td></tr> <tr><td colspan="3" style="border-top: 1px solid black;"></td></tr> <tr><td></td><td>202,300</td><td></td></tr> <tr><td></td><td>3,356,131</td><td></td></tr> <tr><td></td><td>209,040</td><td></td></tr> <tr><td colspan="3" style="border-top: 1px solid black;"></td></tr> <tr><td></td><td>4,356,053</td><td></td></tr> <tr><td colspan="3" style="border-top: 1px solid black;"></td></tr> <tr><td>\$</td><td>7,724,777</td><td></td></tr> <tr><td colspan="3" style="border-top: 1px solid black;"></td></tr> </table>	\$	3,952,608			1,284,764			41,617			13,993			1,837,252			36,252			202,104			34,000			322,187					\$	7,724,777					\$	403,625			13,993			151,082			56,944			2,485,633			257,447						3,368,724						232,395			34,000			322,187						202,300			3,356,131			209,040						4,356,053					\$	7,724,777					<table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 80%;">Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds</td><td style="width: 20%; text-align: right;">3,852,776</td></tr> <tr><td>Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds: Property and Other Taxes</td><td style="text-align: right; vertical-align: bottom;">1,450,954</td></tr> <tr><td>In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due</td><td style="text-align: right;">(17,689)</td></tr> <tr><td>Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:</td><td></td></tr> <tr><td style="padding-left: 20px;">General Obligation Bonds</td><td style="text-align: right;">\$ (276,036)</td></tr> <tr><td style="padding-left: 20px;">Compensated Absences</td><td style="text-align: right;">(350,469)</td></tr> <tr><td style="padding-left: 20px;">Total</td><td style="text-align: right; border-top: 1px solid black;">(626,505)</td></tr> <tr><td>Net assets of governmental activities</td><td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$9,015,589</td></tr> </table>	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	3,852,776	Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds: Property and Other Taxes	1,450,954	In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due	(17,689)	Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:		General Obligation Bonds	\$ (276,036)	Compensated Absences	(350,469)	Total	(626,505)	Net assets of governmental activities	\$9,015,589	
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MONROE COUNTY, OHIO
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	General	Public Assistance	Maintenance	Mental Retardation	Other Governmental Funds
Revenues					
Taxes	\$1,957,930	\$ -	\$ 1,927,644	\$ 528,408	\$ 386,809
Intergovernmental	344,632	1,312,285	1,076,634	568,068	2,998,062
Interest	84,655	-	-	-	75
Licenses and Permits	1,579	-	-	-	37,720
Fines and Forfeitures	32,152	-	7,205	-	1,622
Rentals	7,038	-	-	-	13,319
Charges for Services	373,858	-	46,762	-	166,123
Other	533,431	241,080	23,076	43,197	512,889
<i>Total Revenues</i>	<u>3,335,275</u>	<u>1,553,365</u>	<u>3,081,321</u>	<u>1,139,673</u>	<u>4,116,619</u>
Expenditures					
Current:					
General Government:					
Legislative and Executive	1,062,284	-	-	-	216,906
Judicial	443,445	-	-	-	83,604
Public Safety	1,087,708	-	-	-	894,434
Public Works	-	-	2,741,467	-	192,304
Health	3	-	-	1,164,076	93,536
Human Services	177,096	2,420,590	-	-	1,425,083
Economic Development	-	-	-	-	173,757
Other	438,149	-	-	-	54,451
Capital Outlay	-	-	-	-	962,086
Debt Service:					
Principal Retirement	1,728	-	-	-	9,700
Interest and Fiscal Charges	1,348	-	2,475	-	16,602
<i>Total Expenditures</i>	<u>3,211,761</u>	<u>2,420,590</u>	<u>2,743,942</u>	<u>1,164,076</u>	<u>4,122,463</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>123,514</u>	<u>(867,225)</u>	<u>337,379</u>	<u>(24,403)</u>	<u>(5,844)</u>
Other Financing Sources (Uses)					
Transfers In	2,066	303,006	299,647	-	399,019
Transfers Out	(133,189)	(7,450)	(239,729)	-	(623,370)
<i>Total Other Financing Sources (Uses)</i>	<u>(131,123)</u>	<u>295,556</u>	<u>59,918</u>	<u>-</u>	<u>(224,351)</u>
<i>Net Change in Fund Balances</i>	(7,609)	(571,669)	397,297	(24,403)	(230,195)
<i>Fund Balances Beginning of Year</i>	<u>213,910</u>	<u>800,909</u>	<u>868,858</u>	<u>157,412</u>	<u>2,751,543</u>
<i>Fund Balances End of Year</i>	<u>\$206,301</u>	<u>\$ 229,240</u>	<u>\$ 1,266,155</u>	<u>\$ 133,009</u>	<u>\$ 2,521,348</u>

See accompanying notes to the basic financial statements

Monroe County, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non- GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Property taxes	\$ 936,946	\$ 800,236	\$ 800,236	\$ -
Sales taxes	1,143,876	1,136,090	1,136,090	-
Intergovernmental	267,959	344,632	344,632	-
Charges for services	542,781	376,651	376,651	-
Fines and forfeitures	38,200	32,320	32,320	-
Licenses and permits	2,350	1,679	1,679	-
Investment income	78,000	86,309	86,309	-
Rental income	9,345	7,239	7,239	-
Other	<u>382,468</u>	<u>590,919</u>	<u>590,919</u>	<u>-</u>
Total revenues	<u>3,401,925</u>	<u>3,376,075</u>	<u>3,376,075</u>	<u>-</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	1,105,626	1,090,194	1,086,246	3,948
Judicial	474,883	453,651	450,915	2,736
Public safety	1,016,312	1,056,601	1,073,324	(16,723)
Human services	183,009	178,199	188,904	(10,705)
Other	446,714	464,354	414,443	49,911
Debt service:				
Principal retirement	<u>14,907</u>	<u>14,907</u>	<u>14,907</u>	<u>-</u>
Total expenditures	<u>3,241,451</u>	<u>3,257,906</u>	<u>3,228,739</u>	<u>29,167</u>
Excess of revenues over (under) expenditures	<u>160,474</u>	<u>118,169</u>	<u>147,336</u>	<u>29,167</u>
Other financing sources (uses):				
Transfers in	2,300	14,682	14,682	-
Transfers out	(192,401)	(125,497)	(127,649)	(2,152)
Advances in	15,000	899	899	-
Advances out	-	(2,100)	(4,166)	(2,066)
Note Proceeds	<u>-</u>	<u>31,700</u>	<u>31,700</u>	<u>-</u>
Total other financing sources (uses)	<u>(175,101)</u>	<u>(80,316)</u>	<u>(84,534)</u>	<u>(4,218)</u>
Excess of revenues and other sources over (under) expenditures and other (uses)	(14,627)	37,853	62,802	24,949
Fund balance, beginning of year	198,804	198,804	198,804	-
Prior year encumbrances appropriated	<u>28,611</u>	<u>28,611</u>	<u>28,611</u>	<u>-</u>
Fund balance, end of year	<u>\$ 212,788</u>	<u>\$ 265,268</u>	<u>\$ 290,217</u>	<u>\$ 24,949</u>

See accompanying notes to the basic financial statements

Monroe County, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non- GAAP Basis) and Actual
Public Assistance Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 1,929,940	\$ 1,535,562	\$ 1,542,052	\$ -
Other	<u>100,000</u>	<u>544,148</u>	<u>544,147</u>	<u>-</u>
Total revenues	<u>2,029,940</u>	<u>2,079,710</u>	<u>2,086,199</u>	<u>-</u>
Expenditures:				
Current:				
Human services	<u>1,967,500</u>	<u>2,682,031</u>	<u>2,431,602</u>	<u>250,429</u>
Total expenditures	<u>1,967,500</u>	<u>2,682,031</u>	<u>2,431,602</u>	<u>250,429</u>
Excess of revenues over (under) expenditures	<u>62,440</u>	<u>(602,321)</u>	<u>(345,403)</u>	<u>250,429</u>
Other financing sources (uses):				
Transfers in	-	6,490	6,490	-
Transfers out	<u>-</u>	<u>(7,450)</u>	<u>(7,450)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>(960)</u>	<u>(960)</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other (uses)	62,440	(603,281)	(346,363)	250,429
Fund balance, beginning of year	<u>679,079</u>	<u>679,079</u>	<u>679,079</u>	<u>-</u>
Fund balance, end of year	<u>\$ 741,519</u>	<u>\$ 75,798</u>	<u>\$ 332,716</u>	<u>\$ 250,429</u>

See accompanying notes to the basic financial statements

*Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non- GAAP Basis) and Actual
Maintenance Fund
For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Sales taxes	\$ 1,500,000	\$ 1,867,716	\$ 1,867,716	\$ -
Intergovernmental	950,000	1,038,688	1,038,688	-
Charges for services	35,000	46,775	46,775	-
Fines and forfeitures	9,400	7,109	7,109	-
Other	<u>1,000</u>	<u>23,254</u>	<u>23,254</u>	<u>-</u>
Total revenues	<u>2,495,400</u>	<u>2,983,542</u>	<u>2,983,542</u>	<u>-</u>
Expenditures:				
Current:				
General government:				
Public works	2,447,600	2,947,223	2,730,001	217,222
Capital outlay	<u>40,000</u>	<u>246,985</u>	<u>-</u>	<u>246,985</u>
Total expenditures	<u>2,487,600</u>	<u>3,194,208</u>	<u>2,730,001</u>	<u>464,207</u>
Excess of revenues over (under) expenditures	<u>7,800</u>	<u>(210,666)</u>	<u>253,541</u>	<u>464,207</u>
Other financing sources (uses):				
Transfers in	75,000	299,647	299,647	-
Transfers out	(82,800)	(309,885)	(261,100)	(48,785)
Proceeds from Notes Payable	<u>-</u>	<u>48,378</u>	<u>48,378</u>	<u>-</u>
Total other financing sources (uses)	<u>(7,800)</u>	<u>38,140</u>	<u>86,925</u>	<u>(48,785)</u>
Excess of revenues and other sources over (under) expenditures and other (uses)	-	(172,526)	340,466	415,422
Fund balance, beginning of year	626,295	626,295	626,295	-
Prior year encumbrances appropriated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ 626,295</u>	<u>\$ 453,769</u>	<u>\$ 966,761</u>	<u>\$ 415,422</u>

See accompanying notes to the basic financial statements

Monroe County, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non- GAAP Basis) and Actual
Mental Retardation Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Property taxes	\$ 545,500	\$ 528,408	\$ 528,408	\$ -
Intergovernmental	650,500	588,900	588,900	-
Other	<u>31,500</u>	<u>42,735</u>	<u>42,735</u>	-
Total revenues	<u>1,227,500</u>	<u>1,160,043</u>	<u>1,160,043</u>	-
Expenditures:				
Current:				
General government:				
Health	<u>1,227,500</u>	<u>1,238,880</u>	<u>1,180,634</u>	<u>58,246</u>
Total expenditures	<u>1,227,500</u>	<u>1,238,880</u>	<u>1,180,634</u>	<u>58,246</u>
Excess of revenues over (under) expenditures	-	(78,837)	(20,591)	58,246
Fund balance, beginning of year	<u>77,546</u>	<u>77,546</u>	<u>77,546</u>	-
Fund balance, end of year	<u>\$ 77,546</u>	<u>\$ (1,291)</u>	<u>\$ 56,955</u>	<u>\$ 58,246</u>

See accompanying notes to the basic financial statements

MONROE COUNTY, OHIO

Statement of Net Assets

Proprietary Funds

December 31, 2004

	Business Type Activity
	Care Center
Assets	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$1,273,356
Accounts Receivable	\$141,794
Materials and Supplies Inventory	10,000
Prepaid Items	480
<i>Total Current Assets</i>	<u>1,425,630</u>
<i>Noncurrent Assets:</i>	
<i>Capital Assets:</i>	
Depreciable Capital Assets, Net	<u>320,303</u>
<i>Total Noncurrent Assets</i>	<u>320,303</u>
<i>Total Assets</i>	<u>1,745,933</u>
Liabilities	
<i>Current Liabilities:</i>	
Accounts Payable	71,988
Accrued Wages and Benefits	46,783
Intergovernmental Payable	175,421
General Obligation Bonds Payable	79,065
<i>Total Current Liabilities</i>	<u>373,257</u>
<i>Long-Term Liabilities:</i>	
General Obligation Bonds Payable (net of current portion)	895,132
Compensated Absences	91,258
<i>Total Long-Term Liabilities</i>	<u>986,390</u>
<i>Total Liabilities</i>	<u>1,359,647</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	15,303
Restricted	562,876
Unrestricted	<u>(191,893)</u>
<i>Total Net Assets</i>	<u><u>\$386,286</u></u>

See accompanying notes to the basic financial statements

MONROE COUNTY, OHIO
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2004*

	Business Type Activity
	Care Center
Operating Revenues	
Charges for Services	\$ 2,933,333
Miscellaneous	2,454
	2,935,787
<i>Total Operating Revenues</i>	
Operating Expenses	
Personnel Services	1,874,434
Contractual Services	606,387
Materials and Supplies	214,454
Other	20,426
Depreciation	28,736
	2,744,437
<i>Total Operating Expenses</i>	
<i>Operating Income (Loss)</i>	191,350
Non-Operating Revenues (Expenses)	
Interest and Fiscal Charges	(51,910)
<i>Total Non-Operating Revenues (Expenses)</i>	(51,910)
<i>Change in Net Assets</i>	139,440
<i>Net Assets Beginning of Year</i>	246,846
<i>Net Assets End of Year</i>	\$ 386,286

See accompanying notes to the basic financial statements

MONROE COUNTY, OHIO
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2004

	Business Type Activity
	Care Center
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 2,854,831
Cash Payments to Employees for Services and Benefits	(1,909,386)
Cash Payments for Goods and Services	(806,810)
<i>Net Cash Provided by (Used in) Operating Activities</i>	138,635
Cash Flows from Capital and Related Financing Activities	
Principal Paid on Bonds	(74,065)
Interest Paid on Bonds	(51,910)
<i>Net Cash Provided by (Used in) Capital and Related Financing Activities</i>	(125,975)
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	12,660
<i>Cash and Cash Equivalents Beginning of Year</i>	1,260,696
<i>Cash and Cash Equivalents End of Year</i>	\$ 1,273,356
Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating Income (Loss)	\$ 191,350
Adjustments:	
Depreciation	28,736
Change in Assets and Liabilities:	
Accounts Receivable	(80,956)
Prepayments	(18)
Accounts Payable	(5,823)
Accrued Wages and Benefits	(40,752)
Compensated Absences Payable	5,800
Intergovernmental Payable	40,298
<i>Net Cash Provided by (Used in) Operating Activities</i>	\$ 138,635

See accompanying notes to the basic financial statements

MONROE COUNTY, OHIO
Statement of Fiduciary Net Assets
Agency Funds
December 31, 2004

	<u>Total</u>
Assets	
Equity Pooled in Cash and Cash Equivalents	\$ 614,738
Cash and Cash Equivalents in Segregated Accounts	115,022
Real and Other Taxes Receivable	9,396,174
Special Assessments Receivable	120,611
Due from Other Funds	274,440
Due from Other Governments	<u>1,301,220</u>
<i>Total Assets</i>	<u><u>\$ 11,822,205</u></u>
Liabilities	
Due to Other Funds	\$ 274,440
Due to Other Governments	11,385,271
Deposits Held and Due to Others	141
Undistributed Money	<u>162,353</u>
<i>Total Liabilities</i>	<u><u>\$ 11,822,205</u></u>

See accompanying notes to the basic financial statements

MONROE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the County consists of all funds, departments, boards, and agencies that are not legally separate from the County.

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

The component units columns on the financial statements identifies the financial data of the County's discretely presented component units. They are reported separately to emphasize that they are legally separate from the County.

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.

MONROE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2004

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 2004, 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.

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.

MONROE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2004

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

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 Mental Health and Recovery Board, the Children Services Board, the Belmont, Harrison, Monroe Crossroads Counseling Services, 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.

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.

MONROE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2004

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

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 the year. 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.

POOLS

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 Council 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.

MONROE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2004

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 of Ohio 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 for their operations. Accordingly, the activities of the following districts and entities are presented as agency funds within the basic financial statements.

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.

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.

MONROE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2004

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

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

BASIS OF PRESENTATION

The County's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the County at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities and for the single business-type activity of the County. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. The policy of the County is to not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements - During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

FUND ACCOUNTING

The County uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the County's major governmental funds:

General Fund – The general fund accounts 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.

MONROE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2004

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

Public Assistance Fund – The public assistance fund accounts for state grants used to provide public assistance to general relief recipients and to pay their providers of medical assistance and certain public social services.

Maintenance Fund – The maintenance fund accounts for the maintenance of infrastructure assets.

Mental Retardation Fund – The mental retardation fund accounts for the operation of a school for the mentally retarded and developmentally disabled. Revenue sources include a County-wide property tax levy and federal and state grants.

Proprietary Fund – Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The County has only the following proprietary fund type:

Enterprise Fund – The Enterprise fund accounts for any activity for which a fee is charged to external users for goods or services. The County's sole Enterprise fund is the Care Center.

Fiduciary Fund – Fiduciary fund reporting focuses on net assets and changes in net assets. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County's fiduciary funds are agency funds. The agency funds account for assets held by the County as agent for districts and entities and for various taxes, assessments, and state shared resources collected on behalf of other local governments.

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 governmental and business-type activities and to its proprietary activities provided they do not conflict with or contradict GASB pronouncements, and has elected not to apply Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, to its enterprise and business-type activities. The significant accounting policies followed in the preparation of these financial statements are summarized below.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the County are included on the Statement of Net Assets.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

MONROE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the County finances and meets the cash flow needs of its proprietary activities.

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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 fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the County, available means expected to be received within 60 days of year-end.

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: sales tax, interest, federal and state grants and subsidies, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fees and rentals.

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, 2004, but which were levied to finance 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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 governmental funds.

MONROE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Tax Budget

A tax budget of estimated revenues and expenditures 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, and the Budget Commission agrees, that an estimate needs either to be increased or decreased. The amounts reported in the budgetary statements reflect the amounts in the final amended official certificate.

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.

MONROE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and 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.

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 2004, 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, 2004.

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 presentation on the financial statements, funds included within the County's cash management pool and investments with original maturities of three months or less are considered to be cash and cash equivalents.

PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond December 31, 2004, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

MONROE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVENTORY

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories of the enterprise fund are expensed when used.

CAPITAL ASSETS

Capital assets are reported in the applicable governmental or business-type activities column of the government-wide statement of net assets.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The County maintains a capitalization threshold of \$10,000 for buildings, improvements, equipment and vehicles and \$15,000 for infrastructure.

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.

Infrastructure consisting of roads, bridges, curbs, gutters, sidewalks, lighting systems, and drainage systems are capitalized.

Depreciation for capital 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:

Infrastructure:	
Bridges	50 years
Roads	10 years
Buildings and improvements	40 years
Equipment and vehicles	10 years

COMPENSATED ABSENCES

The County reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences," as interpreted by Interpretation No. 6 of the GASB, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements." 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 benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the County's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

A liability for compensated absences is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

MONROE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported in the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability in the governmental fund financial statements when due.

INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

RESERVATION OF FUND BALANCES

The County reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available, spendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balances have been reserved for encumbrances, advances, loans receivable, prepayments, and inventories of materials and supplies.

NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The County applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund.

MONROE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INTERFUND ACTIVITY

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

ACCOUNTING ESTIMATES

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

NOTE 3 – BUDGET TO GAAP RECONCILIATION

BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance 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, and encumbrances. The Statements of Revenues, Expenditures and Changes in Fund Balances: Budget and Actual (Non-GAAP Budget Basis) are presented on the basic financial statements for the General Fund and Major Special Revenue Funds.

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. Expenses 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 expenses (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

MONROE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 3 - BUDGET TO GAAP RECONCILIATION (Continued)

The adjustments necessary to convert the results of operations for the year ended December 31, 2004, on the GAAP basis to the budget basis are as follows:

NET CHANGE IN FUND BALANCE
GENERAL AND MAJOR SPECIAL REVENUE FUNDS

	<u>General Fund</u>	<u>Public Assistance</u>	<u>Maintenance</u>	<u>Mental Retardation</u>
GAAP basis	\$ (7,609)	\$ (571,669)	\$ 397,297	\$ (24,403)
Adjustments:				
Revenue accruals	72,500	532,834	(49,401)	20,370
Expenditure accruals	(1,630)	(11,012)	210,756	(16,558)
Advances	(1,201)	-	-	-
Transfers	16,090	(296,516)	(21,371)	-
Encumbrances	<u>(15,348)</u>	<u>-</u>	<u>(196,815)</u>	<u>-</u>
Budget basis	<u>\$ 62,802</u>	<u>\$ (346,363)</u>	<u>\$ 340,466</u>	<u>\$ (20,591)</u>

NOTE 4 - 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 in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or deposit or savings accounts, including, but not limited to, passbook accounts;

MONROE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

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);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio; and,
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within 5 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.

Cash on Hand

At year-end, the County had \$130,060 in undeposited cash on hand which is included on the Statement of Net Assets as part of "Equity in Pooled Cash and Cash Equivalents."

Deposits

At year-end, the carrying amount of the County's deposits was \$527,493 and the bank balance was \$969,415. Of the bank balance, \$527,723 was covered by federal depository insurance. The remaining amounts are considered uninsured and uncollateralized.

Investments

The County's investments are required to be categorized to give an indication of the level of risk assumed by the County at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments 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, 2004, the County's investment in STAR Ohio had a fair value of \$5,298,171.

MONROE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

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:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement 9	\$ 5,955,724	\$ -
Investments:		
Cash on hand	(130,060)	-
STAR Ohio	<u>(5,298,171)</u>	<u>5,298,171</u>
GASB Statement 3	<u>\$ 527,493</u>	<u>\$ 5,298,171</u>

Component Units

The County has two component units, the Airport Authority and the MACO Workshop. At December 31, 2004, the carrying amount and bank balance of the Airport Authority's deposits was \$31,474 and was fully insured by federal deposit insurance. Also, at December 31, 2004, the MACO Workshop's carrying amount of cash was \$50,550 and the bank balance was \$50,679, which was fully insured by federal deposit insurance.

NOTE 5 - INTERFUND ASSETS/LIABILITIES

Advances between funds are presented as interfund receivables/payables at December 31, 2004. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting, and (3) payments between funds are made. All are expected to be paid within one year.

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 11,500	\$ -
Nonmajor Governmental Funds	<u>2,493</u>	<u>13,993</u>
Total	<u>\$ 13,993</u>	<u>\$ 13,993</u>

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible (used in business) property. Property taxes include amounts levied against all real, public utility, and tangible personal property located in the County.

Property tax revenue received during 2004 for real and public utility property taxes represents collections of 2003 taxes. Property tax payments received during 2004 for tangible personal property (other than public utility property) is for 2004 taxes.

2004 real property taxes are levied after October 1, 2004, on the assessed value as of January 1, 2004, the lien date. Assessed values are established by state law at 35 percent of appraised market value. 2004 real property taxes are collected in and intended to finance 2005.

MONROE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 6 - PROPERTY TAXES (Continued)

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2004 public utility property taxes became a lien December 31, 2003, are levied after October 1, 2004, and are collected in 2005 with real property taxes.

2004 tangible personal property taxes are levied after October 1, 2003, on the value as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are 25 percent of true value.

The full tax rate for all County operations for the year ended December 31, 2004, was \$6.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

Real property assessed valuation	\$ 155,719,770
Public utility property assessed valuation	42,458,520
Tangible personal property assessed valuation	<u>53,533,990</u>
Total	<u>\$ 251,712,280</u>

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 2004, 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 represents real and tangible personal property taxes, public utility taxes, and outstanding delinquencies that are measurable as of December 31, 2004, and for which there is an enforceable legal claim. 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 2004 operations. The receivable is, therefore, offset by a credit to deferred revenue.

MONROE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2004, was as follows:

	<u>Balance,</u> 01/01/04	<u>Additions</u>	<u>Deletions</u>	<u>Balance,</u> 12/31/04
Governmental activities:				
Land	\$ 40,580	\$ -	\$ -	\$ 40,580
Capital assets being depreciated:				
Infrastructure	1,171,613	703,841	-	1,875,454
Buildings and improvements	2,457,273	31,416	-	2,488,689
Vehicles and equipment	<u>3,117,228</u>	<u>465,089</u>	<u>-</u>	<u>3,582,317</u>
Governmental activities Capital assets	<u>6,786,694</u>	<u>1,200,346</u>	<u>-</u>	<u>7,987,040</u>
Accumulated depreciation:				
Infrastructure	(51,911)	(69,642)	-	(121,553)
Building and improvements	(1,096,253)	(173,505)	-	(1,269,758)
Vehicles and equipment	<u>(2,574,343)</u>	<u>(168,610)</u>	<u>-</u>	<u>(2,742,953)</u>
Total accumulated depreciation	<u>(3,722,507)</u>	<u>(411,757)</u>	<u>-</u>	<u>(4,134,264)</u>
Governmental activities capital, net	<u>\$ 3,064,187</u>	<u>\$ 788,589</u>	<u>\$ -</u>	<u>\$ 3,852,776</u>
	<u>Balance,</u> 01/01/04	<u>Additions</u>	<u>Deletions</u>	<u>Balance,</u> 12/31/04
Business-type activities:				
Capital assets being depreciated:				
Buildings	\$ 1,208,246	\$ -	\$ -	\$ 1,208,246
Equipment	<u>24,942</u>	<u>-</u>	<u>-</u>	<u>24,942</u>
Total capital assets being depreciated	<u>1,233,188</u>	<u>-</u>	<u>-</u>	<u>1,233,188</u>
Accumulated depreciation:				
Buildings	(859,207)	(28,736)	-	(887,943)
Equipment	<u>(24,942)</u>	<u>-</u>	<u>-</u>	<u>(24,942)</u>
Total accumulated Depreciation	<u>(884,149)</u>	<u>(28,736)</u>	<u>-</u>	<u>(912,885)</u>
Business-type activities capital, net	<u>\$ 349,039</u>	<u>\$ (28,736)</u>	<u>\$ -</u>	<u>\$ 320,303</u>

Depreciation expense was charged to governmental functions as follows:

Public Safety	\$ 277,256
Public Works	24,210
Health	23,054
Human Services	77,411
Other	<u>9,826</u>
 Total depreciation expense	 <u>\$ 411,757</u>

MONROE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 8 - DEFINED BENEFIT PENSION PLANS

Public Employees Retirement System

All County full time employees, other than teachers, participate in the Public Employees Retirement System of Ohio (PERS).

- A. Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:
1. The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.
 2. The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over 5 years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon.
 3. The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.
- B. OPERS provides retirement, disability, survivor, and death benefits and annual cost of living adjustments to members of the Traditional Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.
- C. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code.
- D. The Ohio Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.
- E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2004, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). Separate divisions for law enforcement and public safety exist only within the Traditional Plan.

The 2004 member contribution rates were 8.5% for members in classifications other than law enforcement and public safety. Members in the law enforcement classification, which consists generally of sheriffs, deputy sheriffs, and township police, contributed at a rate of 10.1%. Public safety division members contributed at 9.0%.

The 2004 employer contribution rate for state employers was 13.31% of covered payroll. For local government employer units, the rate was 13.55% of covered payroll. For both the law enforcement and public safety divisions, the employer contribution rate for 2004 was 16.7%

MONROE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

The County's required contributions to PERS for the years ended December 31, 2004, 2003, and 2002, were approximately \$843,000, \$841,000, and \$820,000, respectively. The full amount has been contributed for 2003 and 2002. Approximately 92 percent has been contributed for 2004 with the remainder being reported as liabilities within the respective funds.

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 basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. 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 14.0%. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10.0% for members and 14.0% for employers. The County's required contributions to STRS for the years ended December 31, 2004, 2003, and 2002, were approximately \$36,000, \$46,000, and \$48,000, respectively; 100% has been contributed for 2004, 100% for 2003, and 100% for 2002.

NOTE 9 - POSTEMPLOYMENT BENEFITS

Public Employees Retirement System

- A. Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS provides retirement, disability, survivor, and post-retirement health care benefits to qualifying members of both the Traditional and the Combined Plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-retirement health care coverage, age and service retirees must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the Retirement System is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12.

MONROE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The OPERS law enforcement program is separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2004 employer contribution rate for state employers was 13.31% of covered payroll, of which 4.0% was used to fund health care for the year. For local government employer units, the rate was 13.55% of covered payroll and 4.0% was used to fund health care for the year. For both the public safety and law enforcement divisions, the 2004 employer rates were 16.7%, and 4.0% was used to fund health care.

- B. The Ohio Revised Code provides the statutory authority to require public employers to fund post-retirement health care through their contributions to OPERS.
- C. Summary of Assumptions:

Actuarial Review

The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2003.

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 the unfunded actuarial accrued liability.

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 to reflect 25% of unrealized market appreciation or depreciation on investment assets annually.

Investment Return

The investment assumption rate for 2003 was 8.0%.

Active Employee Total Payroll

An annual increase of 4.0%, 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 4.0% base increase, were assumed to range from 0.5% to 6.3%.

Health Care

Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next eight years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4.0% (the projected wage inflation rate).

- D. OPEBs are advance funded on an actuarially determined basis.

At year-end 2004, the number of active contributing participants in the Traditional and Combined Plans totaled 369,885.

The portion of the County's required contributions that were used to fund post employment benefits for the year ended December 31, 2004, was \$248,854.

MONROE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)

\$10.5 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2003.

The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively.

E. OPERS Board adopts a Health Care Preservation Plan.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service retirement. The plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

NOTE 10 – 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.

NOTE 11 - 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 2004, 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 maintains 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 3 years. There was no decline in the level of coverage from the prior year.

MONROE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 12 - LONG-TERM DEBT

Changes in long-term obligations during 2004 were as follows:

	Balance, 01/01/04	Increases	Decreases	Balance, 12/31/04	Amounts Due in One Year
<u>Governmental Activities</u>					
General Obligation Bonds:					
1998 Senior Center, 4.75%	\$ 285,727	\$ -	\$ 9,700	\$ 276,027	\$ 10,200
Total General Obligation Bonds	<u>285,727</u>	<u>-</u>	<u>9,700</u>	<u>276,027</u>	<u>10,200</u>
Other General Long-term Obligations:					
Capital leases payable	1,728	-	1,728	-	-
Compensated absences Payable	<u>410,471</u>	<u>-</u>	<u>30,916</u>	<u>379,555</u>	<u>174,019</u>
Total other general long-term obligations	<u>412,199</u>	<u>-</u>	<u>32,644</u>	<u>379,555</u>	<u>174,019</u>
Total Governmental Activities	<u>\$ 697,926</u>	<u>\$ -</u>	<u>\$ 42,344</u>	<u>\$ 655,582</u>	<u>\$ 184,219</u>
<u>Business-type Activities</u>					
Revenue Bonds:					
2002 Care Center Improvement, 4.78%	\$ 723,262	\$ -	\$ 54,065	\$ 669,197	\$ 59,065
1995 Care Center Improvement, 5.95%	<u>325,000</u>	<u>-</u>	<u>20,000</u>	<u>305,000</u>	<u>20,000</u>
Total Revenue Bonds	1,048,262	-	74,065	974,197	79,065
Other Business-type Activities:					
Compensated absences payable	<u>85,458</u>	<u>5,800</u>	<u>-</u>	<u>91,258</u>	<u>68,356</u>
Total Business-type Activities	<u>\$ 1,133,720</u>	<u>\$ 5,800</u>	<u>\$ 74,065</u>	<u>\$ 1,065,455</u>	<u>\$ 147,421</u>

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 date of the Senior Center Bonds is December 1, 2022. The Senior Center Bonds have an unamortized discount of \$15,803 as of December 31, 2004.

Compensated absences will be paid from the fund from which the person is paid.

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.

As of December 31, 2004, the County's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$5,019,699.

MONROE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 12 - LONG-TERM DEBT (Continued)

Principal and interest requirements to retire the County's outstanding obligations at December 31, 2004, were:

	<u>General Obligation Bonds</u>		<u>Revenue Bonds</u>		<u>Totals</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2005	\$ 10,200	\$ 15,219	\$ 79,065	\$ 49,069	\$ 153,553
2006	10,600	14,735	79,065	46,079	150,479
2007	11,100	14,231	79,065	43,089	147,485
2008	11,700	13,704	74,065	39,951	139,420
2009	12,200	13,148	74,065	36,013	135,426
2010-2014	70,300	56,474	290,325	129,550	546,649
2015-2019	88,400	38,130	195,325	57,947	379,802
2020-2024	<u>61,527</u>	<u>15,059</u>	<u>103,222</u>	<u>12,589</u>	<u>192,397</u>
Totals	<u>\$ 276,027</u>	<u>\$ 180,700</u>	<u>\$ 974,197</u>	<u>\$ 414,287</u>	<u>\$ 1,845,211</u>

A summary of the note transactions for the year ended December 31, 2004, follows:

	<u>Balance, 01/01/04</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance, 12/31/04</u>
Governmental Activities:				
Sheriff Loan, 4.4%	\$ 35,126	\$ -	\$ 13,624	\$ 21,502
Anticipation Note, 4.4%	98,258	31,700	-	129,958
MVGT Fund:				
Issue II Loan, 0.00%	25,304	-	25,304	-
Engineer Loan, 4.15%	69,605	48,378	18,896	99,087
CCW Fund 4.4%	-	8,200	1,300	6,900
Engineer Study Grant Fund	-	4,400	4,400	-
Total Governmental Activities	<u>\$ 228,293</u>	<u>\$ 92,678</u>	<u>\$ 63,523</u>	<u>\$ 257,447</u>

All of the notes are backed by the full faith and credit of the County. The Issue II loan will mature in the year 2006 and the Engineer loan will mature in the year 2005. The Sheriff loan will mature in 2006, and the Anticipation note matured on December 31, 2004. The CCW Fund matured on December 31, 2004.

NOTE 13 – 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.

MONROE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 13 – CONTINGENT LIABILITIES (Continued)

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 14 – FOOD STAMPS

The County's Department of Human Services (Welfare) distributes, through contracting issuance centers, federal food stamps to entitled 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.

NOTE 15 – PRIOR PERIOD ADJUSTMENT

Upon adoption of GASB 34, the County erroneously recorded a capital asset with a net book value of \$5,635 as a governmental activity instead of an activity of the Airport Authority, a component unit. As a result, net assets as of January 1, 2004, have been restated.

MONROE COUNTY, OHIO

Schedule of Prior Audit Findings

Year Ended December 31, 2004

Financial Statements Finding

Finding 2003-1 - Tax Anticipation Notes

Condition: The County had \$98,258 in anticipation notes which remained unpaid beyond the end of the fiscal year contrary to Ohio Revised Code Section 133.10(A).

Current Status: The County continued to have anticipation notes outstanding beyond the end of the fiscal year. A similar finding will be reported for the audit period ended December 31, 2004.

MONROE COUNTY
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2004

Federal Grantor/Program Title	Federal CFDA Number	Expenditures
<u>U.S. Department of Agriculture</u>		
<i>Passed through the Natural Resource Conservation Service:</i>		
Conservation Reserve Program	10.069	\$ 2,500
<i>Passed through the Ohio Department of Health:</i>		
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	123,062
<i>Passed through the Buckeye-Hills Hocking Valley Regional Development District:</i>		
Nutritional Services Incentive	10.570	<u>9,843</u>
Total U.S. Department of Agriculture		<u>135,405</u>
<u>U.S. Department of Housing and Urban Development</u>		
<i>Passed through Ohio Department of Development:</i>		
Community Development Block Grants/State's Programs	14.228	305,531
Home Investment Partnership Program	14.239	<u>78,634</u>
Total U.S. Department of Housing and Urban Development		<u>384,165</u>
<u>U.S. Department of Justice</u>		
Bulletproof Vest Partnerships Program	16.607	<u>5,226</u>
Total U.S. Department of Justice		<u>5,226</u>
<u>U.S. Department of Labor</u>		
<i>Passed through Ohio Department of Jobs and Family Services:</i>		
Unemployment Insurance	17.225	14,120
WIA Cluster:		
WIA Adult Program	17.258	88,678
WIA Youth Activities	17.259	83,524
WIA Dislocated Workers	17.260	<u>169,227</u>
Total WIA Cluster		341,429
Employment and Training Administration Evaluations	17.262	<u>11,788</u>
Total U.S. Department of Labor		<u>367,337</u>
<u>U.S. Department of Transportation</u>		
<i>Passed through Ohio Department of Transportation:</i>		
Airport Improvement Program	20.106	66,028
Highway Planning and Construction	20.205	31,360
Formula Grants for Other Than Urbanized Areas	20.509	<u>149,283</u>
Total U.S. Department of Transportation		<u>246,671</u>

MONROE COUNTY
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2004

Federal Grantor/Program Title	Federal CFDA Number	Expenditures
<u>U.S. Department of Education</u>		
<i>Passed through the Ohio Department of Education:</i>		
Special Education Cluster:		
Special Education - Grants to States	84.027	2,655
Special Education - Preschool Grants	84.173	<u>882</u>
Total Special Education Cluster		<u>3,537</u>
Special Education - Grant for Infants and Families with Disabilities	84.181	23,029
Innovative Education Program Strategies	84.298	<u>18</u>
Total U.S. Department of Education		<u>26,584</u>
<u>U.S. Department of Health and Human Services</u>		
<i>Passed through the Buckeye-Hills Hocking Valley Regional Development District:</i>		
Aging Cluster:		
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	75,798
Special Programs for the Aging - Title III, Part C - Nutritional Services	93.045	<u>40,658</u>
Total Aging Cluster		<u>116,456</u>
<i>Passed through Ohio Department of Health:</i>		
Immunization Grants	93.268	11,250
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	113,648
Social Services Block Grant	93.667	13,136
<i>Passed through the Ohio Department of Mental Retardation and Developmental Disabilities:</i>		
Medical Assistance Program	93.778	<u>56,187</u>
Total U.S. Department of Health and Human Services		<u>310,677</u>
<u>U.S. Department of Homeland Security</u>		
<i>Passed through Ohio Emergency Management Agency:</i>		
State Domestic Preparedness Equipment Support Program	97.004	122,535
Public Assistance Grants	97.036	750,738
Emergency Management Performance Grants	97.042	<u>18,538</u>
Total U.S. Department of Homeland Security		<u>891,811</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		\$ <u>2,367,876</u>

MONROE COUNTY
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2004

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

These loans are collateralized by mortgages on real estate and liens on business equipment. At December 31, 2004, the gross amount of loans outstanding under this program was approximately

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

To the Board of County Commissioners
Monroe County, Ohio:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Monroe County, Ohio (the County) as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 23, 2005. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2004-1.

We also noted certain additional matters that we reported to management of the County in a separate letter dated June 23, 2005.

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

Clark, Schaefer, Haskett & Co.

Cincinnati, Ohio
June 23, 2005



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 County Commissioners
Monroe County, Ohio:

Compliance

We have audited the compliance of Monroe County, Ohio (the County), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the 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 reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 23, 2005

MONROE COUNTY, OHIO

Schedule of Findings and Questioned Costs

Year Ended December 31, 2004

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?	yes

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:	
<i>CFDA 97.036 - Public Assistance Grants</i>	
Dollar threshold to distinguish between Type A and Type B Programs:	\$300,000
Auditee qualified as low-risk auditee?	yes

Section II - Financial Statement Finding

2004-1 Tax Anticipation Notes

Ohio Revised Code Section 133.10(A) stipulates that notes issued in anticipation of current property tax revenues must mature no later than 6 months after issue, and in no case may they mature after the end of the fiscal year. As of December 31, 2004, the County had \$129,958 in anticipation notes which remained unpaid beyond the end of the fiscal year. The notes were refinanced on January 2, 2005.

Section III - Federal Award Findings and Questioned Costs

None.



**Auditor of State
Betty Montgomery**

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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
NOVEMBER 22, 2005**