FINANCIAL CONDITION
MONROE COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2006

Mary Taylor, CPA
Auditor of State

MONROE COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Monroe County
101 North Main Street
Woodsfield, Ohio 43793

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Monroe County, Ohio (the County), as of and for the year ended December 31, 2006, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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, each major fund, and the aggregate remaining fund information of Monroe County, Ohio, as of December 31, 2006, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General, Public Assistance, Maintenance, Mental Retardation and Community Development Block Grant Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the financial statements, certain funds were reclassified to different opinion units to more appropriately reflect the intended purpose of the funds. Also, as discussed in Note 3 to the financial statements, the County retroactively reported general infrastructure constructed or significantly improved after 1980 as capital assets of governmental activities.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2007, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the County's basic financial statements. The Schedule of Federal Awards Expenditures is 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. We subjected the Schedule of Federal Awards Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 17, 2007

Management's Discussion and Analysis (MD&A) provides the reader with a narrative overview and analysis of Monroe County's (the County) financial activities for the year ended December 31, 2006. The intent of this discussion and analysis is to look at the County's financial performance as a whole. The MD&A should be read in conjunction with the County's basic financial statements and notes to the basic financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2006 are as follows:

- The County's total net assets increased by $1,146,546 from the total net assets at the beginning of the year 2006.
- At the end of the current year, the County reported net assets for governmental activities of $20,812,169. Of this amount, only $112,785 is unrestricted and may be used to meet the County's ongoing obligations.
- The County had $17,197,751 in expenses related to governmental activities; only $14,458,896 of these expenses are offset by program specific charges for services, grants, contributions, and interest. General revenues of $4,091,249 were adequate to provide for these programs.
- At the end of the current year, the County's governmental funds reported a combined ending fund balance of $5,106,898, a decrease of $473,091 from the prior year. Of this amount, $4,419,190 is available for spending (unreserved undesignated fund balance) on behalf of its citizens.
- At the end of the current year, unreserved fund balance for the General Fund was $374,808, which represents 10 percent of total General Fund expenditures.

Using This Annual Financial Report

This annual report consists of a series of financial statements. These statements are organized so the reader can understand the County as a financial whole or as an entire operating entity.

The *Statement of Net Assets* and the *Statement of Activities* provide information about the activities of the whole County, presenting an aggregate view of the County's finances as well as a longer-term view of those assets.

Fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's most significant funds in more detail than the government-wide statements. Nonmajor funds are presented separately from major funds in total and in one column.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

Statement of Net Assets

While this document contains information about the funds used by the County to provide services to our citizens, the view of the County as a whole looks at all financial transactions and asks the question, "How did we do financially during 2006?" The Statement of Net Assets and the Statement of Activities answer this question.

The Statement of Net Assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. The Statement of Activities presents information showing how the County's net assets changed during the current year. These statements are prepared using the accrual basis of accounting similar to the accounting method used by private sector companies. This basis of accounting takes into consideration all of the current year's revenues and expenses, regardless of when the cash is received or paid.

The change in net assets is important because it tells the reader whether, for the County as a whole, the financial position of the County has improved or diminished. However, in evaluating the overall position of the County, nonfinancial information such as changes in the County's tax base and the condition of the County's capital assets will also need to be evaluated.

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

Governmental Activities - Most of the County's programs and services are reported here, including general government, public safety, public works, health, human services, and economic development. These services are funded primarily by taxes and intergovernmental revenues, including federal and state grants and other shared revenues.

Business-Type Activities - These services are provided on a charge for goods or services basis to recover all or most of the cost of the services provided. The County's sole business-type activity is the Care Center.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Fund financial statements provide detailed information about the County's major funds. Based on the restriction on the use of moneys, the County has established many funds that account for the multitude of services provided to its residents. The County's major governmental funds are the General Fund and the Public Assistance, Maintenance, Mental Retardation, and Community Development Block Grant Special Revenue Funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities on the government-wide financial statements. Most of the County's basic services are reported in these funds that focus on how money flows into and out of the funds and the year end balances available for spending. These funds are reported on the modified accrual basis of accounting that measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services being provided, along with the financial resources available.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains a multitude of individual governmental funds. Information is presented separately on the governmental fund balance sheet and on the governmental fund statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation.

Proprietary Funds - The County maintains one proprietary fund, the Care Center Enterprise Fund. Enterprise funds are used to report the same functions presented as business-type activities on the government-wide financial statements.

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

Government-Wide Financial Analysis

Table 1 provides a summary of the County's net assets for 2006 compared to 2005:

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets:						
Current and Other Assets	$10,257,516	$9,230,329	$1,195,140	$1,538,432	$11,452,656	$10,768,761
Capital Assets, Net	13,459,419	12,961,875	241,864	270,319	13,701,283	13,232,194
Total Assets	23,716,935	22,192,204	1,437,004	1,808,751	25,153,939	24,000,955
Liabilities:						
Current and Other Liabilities	2,052,361	2,074,883	333,828	408,878	2,386,189	2,483,761
Long-Term Liabilities	852,405	657,546	896,000	986,759	1,748,405	1,644,305
Total Liabilities	2,904,766	2,732,429	1,229,828	1,395,637	4,134,594	4,128,066
Net Assets:						
Invested in Capital Assets, Net of Related Debt	13,193,929	12,696,048	(573,150)	(60,702)	12,620,779	12,635,346
Restricted	7,505,455	6,733,254	0	562,876	7,505,455	7,296,130
Unrestricted	112,785	30,473	780,326	(89,060)	893,111	(58,587)
Total Net Assets	$20,812,169	$19,459,775	$207,176	$413,114	$21,019,345	$19,872,889

As noted earlier, the County's net assets, when reviewed over time, may serve as a useful indicator of the County's financial position. In the case of the County, assets exceeded liabilities by $21,019,345 ($20,812,169 in governmental activities and $207,176 in business-type activities) as of December 31, 2006. Current assets of governmental activities increased approximately $1,027,187 due to increases in cash as a result of revenues exceeding expenses and increases in receivables at year-end. Capital assets increased due to infrastructure projects for roads and bridges. Long-term liabilities increased as the County approved an early retirement incentive plan and also increases in compensated absences were greater than severance payments made during 2006.

A portion of the County's net assets $12,620,779 or 60 percent, reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The County uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. Another large portion of the County's net assets, $7,505,455 or 36 percent, represents resources that are subject to restrictions on how they can be used. The balance of unrestricted net assets (4 percent) is to be used to meet the County's ongoing obligations to citizens and creditors. The County's total net assets increased by $1,146,456 during 2006.

Table 2 shows the changes in net assets for 2006, compared to the changes in net assets for 2005.

Table 2
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program Revenues						
Charges for Services	$1,513,158	$1,038,767	$3,628,121	$3,156,821	$5,141,279	$4,195,588
Operating Grants, Contributions, and Interest	11,974,344	12,031,950	0	0	11,974,344	12,031,950
Capital Grants and Contributions	971,394	846,597	0	0	971,394	846,597
Total Program Revenues	14,458,896	13,917,314	3,628,121	3,156,821	18,087,017	17,074,135
General Revenues						
Property Taxes	1,489,363	1,493,143	0	0	1,489,363	1,493,143
Permissive Sales Taxes	1,206,720	1,310,711	0	0	1,206,720	1,310,711
Intergovernmental	388,867	566,228	0	0	388,867	566,228
Investment Earnings	347,299	217,983	0	0	347,299	217,983
Miscellaneous	659,000	1,206,379	37,408	502	696,408	1,206,881
Total General Revenues	4,091,249	4,794,444	37,408	502	4,128,657	4,794,946
Total Revenues	18,550,145	18,711,758	3,665,529	3,157,323	22,215,674	21,869,081
Program Expenses						
General Government						
Legislative and Executive	1,598,202	1,404,961	0	0	1,598,202	1,404,961
Judicial	691,134	561,697	0	0	691,134	561,697
Public Safety	1,718,238	1,786,462	0	0	1,718,238	1,786,462
Public Works	3,211,291	3,217,134	0	0	3,211,291	3,217,134
Health	1,788,431	1,450,678	0	0	1,788,431	1,450,678
Human Services	7,635,759	5,769,624	0	0	7,635,759	5,769,624
Economic Development	547,085	1,544,060	0	0	547,085	1,544,060
Other	0	163,697	0	0	0	163,697
Interest and Fiscal Charges	7,611	20,069	0	0	7,611	20,069
Care Center	0	0	3,871,467	3,130,495	3,871,467	3,130,495
Total Expenses	17,197,751	15,918,382	3,871,467	3,130,495	21,069,218	19,048,877
Change in Net Assets	1,352,394	2,793,376	(205,938)	26,828	1,146,456	2,820,204
Net Assets Beginning of Year	19,459,775	9,015,591	413,114	386,286	19,872,889	9,401,877
Prior Period Adjustment	0	7,650,808	0	0	0	7,650,808
Net Assets End of Year	$20,812,169	$19,459,775	$207,176	$413,114	$21,019,345	$19,872,889

Governmental Activities

Total revenues of the governmental activities decreased by $161,613 during 2006. The County's direct charges to users of governmental services made up $1,513,158 or 8 percent of total governmental revenues. Operating grants, contributions, and restricted interest were the largest program revenues, accounting for $11,974,344 or 65 percent of total revenues for governmental activities. This revenue source decreased by $57,606 during 2006. The major recipients of intergovernmental revenues were the Public Assistance, Maintenance, Mental Retardation, and Community Development Block Grant Special Revenue Funds.

Permissive sales tax revenues account for $1,206,720 or 7 percent of total governmental revenues. Another major component of general governmental revenues was property tax revenues, which accounted for $1,489,363 or 8 percent of total governmental revenues. The County's human services programs accounted for $7,635,759, or 44 percent of total expenses for governmental activities. Other major program expenses for governmental activities include public works programs, which accounted for $3,211,291, or 19 percent of total expenses, and public safety programs, which accounted for $1,718,238 or 10 percent of total expenses. The largest change in expenses occurred in the human services program, an increase of $1,866,135. This increase in expenses is the main reason for the decrease in the Public Assistance Special Revenue fund balance. Deceases in public safety and economic development expenses are a result of keeping expenses in line with revenue streams.

Business-Type Activities

The net assets for business-type activities decreased $205,938 during 2006. Charges for services were the only program revenue, accounting for $3,628,121 or 99 percent of total business-type revenues.

Table 3, for governmental activities, indicates the total cost of services and the net cost of services for 2006, as compared to 2005. The Statement of Activities reflects the cost of program services and the charges for services, grants, contributions, and interest offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues, unrestricted intergovernmental revenues, and unrestricted interest earnings.

Table 3
Governmental Activities

	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
General Government				
Legislative and Executive	$1,598,202	$839,572	$1,404,961	$1,146,371
Judicial	691,134	478,951	561,697	369,394
Public Safety	1,718,238	655,253	1,786,462	806,641
Public Works	3,211,291	(596,534)	3,217,134	(1,476,961)
Health	1,788,431	557,235	1,450,678	308,737
Human Services	7,635,759	1,633,316	5,769,624	506,170
Economic Development	547,085	(836,549)	1,544,060	156,950
Other	0	0	163,697	163,697
Interest and Fiscal Charges	7,611	7,611	20,069	20,069
Total Expenses	$17,197,751	$2,738,855	$15,918,382	$2,001,068

Charges for services, operating and capital grants, contributions, and interest of $14,458,896, or 78 percent of the total costs of services, were received and used to fund the governmental activities expenses of the County. The remaining $2,738,855 in governmental expenses is funded primarily by property and permissive sales taxes, non-restricted intergovernmental revenues, interest, and miscellaneous revenues.

Financial Analysis of County Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the County's net resources available for spending at the end of the year. As of December 31, 2006, the County's governmental funds reported a combined ending fund balance of $5,106,898, a decrease of $473,091 in comparison with the prior year. $4,419,190, or 87 percent of this total, constitutes unreserved undesignated fund balance, which is available for spending. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior year ($284,266), has been reserved for claimants ($128,861), or has been reserved for loans receivable ($274,581). While the bulk of the governmental fund balances is not reserved in the governmental fund statements, they lead to restricted net assets on the Statement of Net Assets due to restrictions for use for a particular purpose mandated by the source of the funding, such as tax levy language or the underlying grant.

The General Fund is the primary operating fund of the County. At the end of 2006, unreserved fund balance was $374,808, while total fund balance was $520,210. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 10 percent to total General Fund expenditures, while total fund balance represents 14 percent of that same amount. The fund balance increased from 2005 by $75,377. This minimal change is due to the awareness by management that expenditures and other financing uses must be maintained at or below fixed revenue sources.

At the end of 2006, the Public Assistance Special Revenue Fund had a deficit fund balance of $61,050, in comparison to a fund balance of $1,127,662 at the end of 2005. This is due to an increase in amounts expended for the various public assistance programs.

The fund balance of the Maintenance Special Revenue Fund at December 31, 2006 was $2,362,922, an increase of $320,651 from the previous year. This minimal change is a direct result of this department matching projected revenue streams and spending levels. Due to this conservative budgeting, this department was able to maintain a consistent fund balance for carryover into the next year.

The fund balance of the Mental Retardation Special Revenue Fund at December 31, 2006 was $890,634, an increase of $314,172. This change is the result of increased revenues associated taxes and grants within this department.

The fund balance of the Community Development Block Grant Special Revenue Fund at December 31, 2006 was $471,761, a minimal increase of $54,404. The department has shown that it is maintaining very conservative budgeting measures throughout the year.

Proprietary Funds - The County maintains one proprietary fund, the Care Center Enterprise Fund. Enterprise funds are used to report functions presented as business-type activities on the government-wide financial statements. As of December 31, 2006, net assets for the County's enterprise fund was $207,176. Of that total, $780,326 represents unrestricted net assets that are available for spending at the County's discretion.

General Fund Budgetary 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. By State statute, the Board of County Commissioners adopts a temporary operating budget for the County prior to the first day of January. The Board of County Commissioners adopts a permanent annual operating budget for the County prior to the first day of April.

During the course of 2006, the County amended its General Fund appropriations, and the budgetary statement reflects both the original and final appropriation amounts. For the General Fund, original budgeted revenues were $3,563,617 and final budgeted revenues were $3,872,903. Original budgeted expenditures were approximately $3,457,601 and final budgeted expenditures were approximately $3,866,619.

Capital Assets and Debt Administration

Capital Assets - The County's capital assets for governmental and business-type activities as of December 31, 2006, were $13,701,283 (net of accumulated depreciation). This includes land, infrastructure, buildings and improvements, and vehicles and equipment. Table 4 provides a comparison of capital assets as of the end of 2005 and 2006. In addition, Note 10 (Capital Assets) provides capital asset activity during 2006.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	$40,580	$40,580	$0	$0	$40,580	$40,580
Construction in Progress	50,051	0	0	0	50,051	0
Infrastructure	10,603,418	10,606,035	0	0	10,603,418	10,606,035
Buildings and Improvements	1,346,313	1,266,735	241,864	270,319	1,588,177	1,537,054
Vehicles and Equipment	1,419,057	1,048,525	0	0	1,419,057	1,048,525
Total Capital Assets	$13,459,419	$12,961,875	$241,864	$270,319	$13,701,283	$13,232,194

Long-Term Debt - As of December 31, 2006, the County had total debt outstanding of $1,081,455; $265,490 in governmental activities and $815,965 in business-type activities. Table 5 outlines the long-term debt held by the County during 2006 and 2005.

Table 5
Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
General Obligation Bonds	$255,227	$265,827	$0	$0	$255,227	$265,827
Truck Loan	10,263	0	0	0	10,263	0
Revenue Bonds	0	0	815,965	894,197	815,965	894,197
Total Long-Term Debt	$265,490	$265,827	$815,965	$894,197	$1,081,455	$1,160,024

In addition to the above debt, the County's long-term obligations include compensated absences and early retirement incentives. Additional information on the County's long-term debt can be found in Note 15 of this report. The County's total unvoted legal debt margin at December 31, 2006, is $2,060,095.

Economic Factors

The County is currently stable financially. Department heads are continuing to remain within their appropriated budgets for the year.
The various economic factors were considered in the preparation of the County's 2006 budget, and will be considered in the preparation of future budgets. Appropriate measures will be taken to ensure spending is within available resources.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Pandora Neuhart, Monroe County Auditor, 101 North Main Street, Room 22, Woodsfield, Ohio 43793.

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Monroe County, Ohio
Statement of Net Assets
December 31, 2006

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	$4,594,764	$612,783	$5,207,547
Cash and Cash Equivalents with Fiscal Agents	243,986	0	243,986
Property Taxes Receivable	1,307,176	0	1,307,176
Accounts Receivable	52,856	582,470	635,326
Interest Receivable	849	0	849
Internal Balances	26,626	(26,626)	0
Intergovernmental Receivable	3,267,746	0	3,267,746
Prepaid Items	98,524	213	98,737
Sales Taxes Receivable	177,331	0	177,331
Loans Receivable	274,581	0	274,581
Materials and Supplies Inventory	213,077	26,300	239,377
Non-Depreciable Capital Assets	90,631	0	90,631
Depreciable Capital Assets, Net	13,368,788	241,864	13,610,652
Total Assets	23,716,935	1,437,004	25,153,939
Liabilities			
Accounts Payable	344,581	90,753	435,334
Accrued Wages Payable	135,487	41,594	177,081
Intergovernmental Payable	437,776	197,918	635,694
Matured Compensated Absences Payable	49,860	0	49,860
Accrued Interest Payable	7,075	3,563	10,638
Deferred Revenue	1,077,582	0	1,077,582
Long-Term Liabilities:			
Due Within One Year	285,248	136,395	421,643
Due In More Than One Year	567,157	759,605	1,326,762
Total Liabilities	2,904,766	1,229,828	4,134,594
Net Assets			
Invested in Capital Assets, Net of Related Debt	13,193,929	(573,150)	12,620,779
Restricted for:			
Other Purposes	1,252,841	0	1,252,841
Capital Projects	131,781	0	131,781
Public Assistance	377,630	0	377,630
Road and Bridge Maintenance	3,453,359	0	3,453,359
Mental Retardation and Developmental Disabilities	1,029,183	0	1,029,183
Community Development	1,260,661	0	1,260,661
Unrestricted	112,785	780,326	893,111
Total Net Assets	$20,812,169	$207,176	$21,019,345

See accompanying notes to the basic financial statements

Monroe County, Ohio
Statement of Activities
For the Year Ended December 31, 2006

		Program Revenues			Net (Expense) Revenue and Change in Net Assets — Primary Government		
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities	Business - Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government:							
Legislative and Executive	$1,598,202	$604,731	$153,899	$0	($839,572)	$0	($839,572)
Judicial	691,134	172,552	39,631	0	(478,951)	0	(478,951)
Public Safety	1,718,238	373,296	371,820	317,869	(655,253)	0	(655,253)
Public Works	3,211,291	38,750	3,362,202	406,873	596,534	0	596,534
Health	1,788,431	205,558	1,025,638	0	(557,235)	0	(557,235)
Human Services	7,635,759	110,087	5,645,704	246,652	(1,633,316)	0	(1,633,316)
Economic Development	547,085	8,184	1,375,450	0	836,549	0	836,549
Interest and Fiscal Charges	7,611	0	0	0	(7,611)	0	(7,611)
Total Governmental Activities	17,197,751	1,513,158	11,974,344	971,394	(2,738,855)	0	(2,738,855)
Business-Type Activities:							
Care Center	3,871,467	3,628,121	0	0	0	(243,346)	(243,346)
Total Business-Type Activities	3,871,467	3,628,121	0	0	0	(243,346)	(243,346)
Total Primary Government	$21,069,218	$5,141,279	$11,974,344	$971,394	(2,738,855)	(243,346)	(2,982,201)
		General Revenues					
		Property Taxes Levied for:					
		General Purposes			788,341	0	788,341
		Health			663,337	0	663,337
		Human Services			37,685	0	37,685
		Sales Taxes Levied for General Purposes			1,206,720	0	1,206,720
		Grants and Entitlements not Restricted to Specific Programs			388,867	0	388,867
		Investment Earnings			347,299	0	347,299
		Payments In Lieu of Taxes			7,968	0	7,968
		Gain on Sale of Capital Assets			53,500	0	53,500
		Miscellaneous			597,532	37,408	634,940
		Total General Revenues			4,091,249	37,408	4,128,657
		Change in Net Assets			1,352,394	(205,938)	1,146,456
		Net Assets Beginning of Year - Restated (Note 3)			19,459,775	413,114	19,872,889
		Net Assets End of Year			$20,812,169	$207,176	$21,019,345

See accompanying notes to the basic financial statements

Monroe County, Ohio
Balance Sheet
Governmental Funds
December 31, 2006

	General	Public Assistance	Maintenance	Mental Retardation	CDBG	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	$156,508	$253,808	$1,393,804	$663,734	$134,174	$1,863,875	$4,465,903
Cash and Cash Equivalents with Fiscal Agents	0	0	0	243,986	0	0	243,986
Receivables:							
Property Taxes	733,676	0	0	573,500	0	0	1,307,176
Accounts	40,025	42	652	0	0	12,137	52,856
Interest	849	0	0	0	0	0	849
Interfund	120,742	359,093	435,211	0	0	9,939	924,985
Intergovernmental	189,958	345,052	1,668,371	57,324	864,600	142,441	3,267,746
Sales Taxes	177,331	0	0	0	0	0	177,331
Loans Receivable	0	0	0	0	274,581	0	274,581
Prepaid Items	89,224	3,956	1,267	100	250	3,727	98,524
Materials and Supplies Inventory	19,249	2,841	190,583	0	0	404	213,077
Restricted Assets:							
Equity in Pooled Cash and Cash Equivalents	128,861	0	0	0	0	0	128,861
Total Assets	$1,656,423	$964,792	$3,689,888	$1,538,644	$1,273,605	$2,032,523	$11,155,875
Liabilities and Fund Balances							
Liabilities							
Accounts Payable	$70,707	$122,551	$33,808	$11,405	$12,187	$93,923	$344,581
Interfund Payable	563	42,602	23,312	0	0	831,882	898,359
Accrued Wages Payable	20,325	64,064	32,135	12,821	144	5,998	135,487
Intergovernmental Payable	182,735	105,281	43,685	12,465	613	92,997	437,776
Matured Compensated Absences Payable	0	49,860	0	0	0	0	49,860
Deferred Revenue	861,883	641,484	1,194,026	611,319	788,900	85,302	4,182,914
Total Liabilities	1,136,213	1,025,842	1,326,966	648,010	801,844	1,110,102	6,048,977
Fund Balances							
Reserved for Encumbrances	16,541	63	249,346	0	0	18,316	284,266
Reserved for Unclaimed Monies	128,861	0	0	0	0	0	128,861
Reserved for Loans Receivable	0	0	0	0	274,581	0	274,581
Unreserved:							
Undesignated, Reported in:							
General Fund	374,808	0	0	0	0	0	374,808
Special Revenue Funds (Deficit)	0	(61,113)	2,113,576	890,634	197,180	802,707	3,942,984
Capital Projects Funds	0	0	0	0	0	101,398	101,398
Total Fund Balances	520,210	(61,050)	2,362,922	890,634	471,761	922,421	5,106,898
Total Liabilities and Fund Balances	$1,656,423	$964,792	$3,689,888	$1,538,644	$1,273,605	$2,032,523	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		13,459,419
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	$229,594	
Other/Accounts Receivable	296,432	
Intergovernmental	2,579,306	
Total		3,105,332
Long-term liabilities and accrued interest are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	($255,227)	
Truck Loan	(10,263)	
Compensated Absences	(432,131)	
Early Retirement Incentive	(154,784)	
Accrued Interest Payable	(7,075)	
Total		(859,480)
Net Assets of Governmental Activities		$20,812,169

See accompanying notes to the basic financial statements

Monroe County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2006

	General	Public Assistance	Maintenance	Mental Retardation	CDBG	Other Governmental Funds	Total Governmental Funds
Revenues							
Property Taxes	$732,710	$0	$0	$522,440	$0	$132,458	$1,387,608
Permissive Sales Taxes	1,206,720	0	0	0	0	0	1,206,720
Payments in Lieu of Taxes	4,216	0	0	2,641	0	1,111	7,968
Intergovernmental	601,698	4,603,920	3,311,047	966,606	554,313	1,919,231	11,956,815
Interest	347,299	5,055	7,132	0	27,137	0	386,623
Licenses and Permits	1,743	0	0	0	0	43,997	45,740
Fines and Forfeitures	42,197	0	8,645	0	0	6,287	57,129
Rentals	1,625	0	0	0	0	11,497	13,122
Charges for Services	937,963	0	30,105	24,741	8,184	555,089	1,556,082
Contributions and Donations	1,296	0	0	0	5,100	56,246	62,642
Other	77,836	168,741	12,334	179	0	42,010	301,100
Total Revenues	3,955,303	4,777,716	3,369,263	1,516,607	594,734	2,767,926	16,981,549
Expenditures							
Current:							
General Government:							
Legislative and Executive	1,447,612	0	0	0	0	131,529	1,579,141
Judicial	579,493	0	0	0	0	105,967	685,460
Public Safety	1,188,726	0	0	0	0	528,675	1,717,401
Public Works	13,830	0	2,960,227	0	0	125,434	3,099,491
Health	275,500	0	0	1,202,435	0	350,346	1,828,281
Human Services	191,892	5,966,428	0	0	0	1,344,303	7,502,623
Economic Development	7,731	0	0	0	540,330	0	548,061
Capital Outlay	0	0	0	0	0	485,030	485,030
Principal Retirement	0	0	0	0	0	11,907	11,907
Interest and Fiscal Charges	2,075	0	0	0	0	13,240	15,315
Total Expenditures	3,706,859	5,966,428	2,960,227	1,202,435	540,330	3,096,431	17,472,710
Excess of Revenues Over/(Under) Expenditures	248,444	(1,188,712)	409,036	314,172	54,404	(328,505)	(491,161)
Other Financing Sources (Uses)							
Transfers In	0	0	75,000	0	0	289,164	364,164
Proceeds of Loans	0	0	0	0	0	11,570	11,570
Proceeds from Sale of Capital Assets	6,500	0	0	0	0	0	6,500
Transfers Out	(179,567)	0	(163,385)	0	0	(21,212)	(364,164)
Total Other Financing Sources (Uses)	(173,067)	0	(88,385)	0	0	279,522	18,070
Net Change in Fund Balances	75,377	(1,188,712)	320,651	314,172	54,404	(48,983)	(473,091)
Fund Balances at Beginning of Year - Restated (Note 3)	444,833	1,127,662	2,042,271	576,462	417,357	971,404	5,579,989
Fund Balances at End of Year	$520,210	($61,050)	$2,362,922	$890,634	$471,761	$922,421	$5,106,898

See accompanying notes to the basic financial statements

Monroe County, Ohio
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2006

Net Change in Fund Balances - Governmental Funds		($473,091)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:		
Capital Asset Additions	1,419,614	
Current Year Depreciation	(922,070)	
Total		497,544
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Property Taxes	101,755	
Intergovernmental	1,275,824	
Other/Charges for Services	137,517	
Total		1,515,096
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		11,907
Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities.		7,704
The issuance of long-term loans are reported as other financing sources in the governmental funds, but the issuance increases long-term liabilities on the statement of net assets.		(11,570)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Early Retirement Incentive	(154,784)	
Compensated Absences Payable	(40,412)	
Total		(195,196)
Change in Net Assets of Governmental Activities		$1,352,394

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, 2006

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues				
Property Taxes	$724,666	$716,964	$716,964	$0
Permissive Sales Taxes	1,260,000	1,199,231	1,199,231	0
Payments in Lieu of Taxes	5,000	4,216	4,216	0
Intergovernmental	515,832	513,067	592,699	79,632
Charges for Services	682,985	802,073	802,073	0
Fines and Forfeitures	36,000	41,590	41,590	0
Licenses and Permits	1,825	1,743	1,743	0
Investment Income	230,000	347,087	347,087	0
Rent	1,950	1,625	1,625	0
Contributions and Donations	0	1,296	1,296	0
Other	105,359	244,011	75,843	(168,168)
Total Revenues	3,563,617	3,872,903	3,784,367	(88,536)
Expenditures				
Current:				
General Government:				
Legislative and Executive	1,320,137	1,465,253	1,438,830	26,423
Judicial	556,015	592,511	583,576	8,935
Public Safety	1,149,432	1,231,200	1,134,543	96,657
Public Works	13,830	13,830	13,830	0
Health	220,194	289,511	285,523	3,988
Human Services	197,993	196,693	193,030	3,663
Economic Development	0	7,731	7,731	0
Debt Service:				
Principal Retirement	0	67,815	99,130	(31,315)
Interest and Fiscal Charges	0	2,075	2,075	0
Total Expenditures	3,457,601	3,866,619	3,758,268	108,351
Excess of Revenues Over Expenditures	106,016	6,284	26,099	19,815
Other Financing Sources (Uses)				
Advances In	3,000	3,000	3,000	0
Revenue Notes Issued	31,315	67,815	99,130	31,315
Proceeds from Sale of Capital Assets	3,000	6,500	6,500	0
Transfers In	28,627	117,631	0	(117,631)
Transfers Out	(168,868)	(306,372)	(179,567)	126,805
Total Other Financing Sources (Uses)	(102,926)	(111,426)	(70,937)	40,489
Net Change in Fund Balance	3,090	(105,142)	(44,838)	60,304
Fund Balance at Beginning of Year	186,462	186,462	186,462	0
Prior Year Encumbrances Appropriated	51,922	51,922	51,922	0
Fund Balance at End of Year	$241,474	$133,242	$193,546	$60,304

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, 2006

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Intergovernmental	$3,370,807	$4,894,136	$4,894,388	$252
Interest	2,500	4,666	5,244	578
Other	751,746	296,148	296,148	0
Total Revenues	4,125,053	5,194,950	5,195,780	830
Expenditures				
Current:				
Human Services	4,263,316	6,041,347	5,826,808	214,539
Excess of Revenues Over (Under) Expenditures	(138,263)	(846,397)	(631,028)	215,369
Other Financing Sources (Uses)				
Transfers In	250,772	81,654	0	(81,654)
Advances In	0	74,000	0	(74,000)
Transfers Out	(6,400)	(86,630)	0	86,630
Advances Out	0	(74,000)	0	74,000
Total Other Financing Sources (Uses)	244,372	(4,976)	0	4,976
Net Change in Fund Balance	106,109	(851,373)	(631,028)	220,345
Fund Balance at Beginning of Year	769,084	769,084	769,084	0
Prior Year Encumbrances Appropriated	64,130	64,130	64,130	0
Fund Balance (Deficit) at End of Year	$939,323	($18,159)	$202,186	$220,345

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
Maintenance Fund
For the Year Ended December 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Intergovernmental	$3,460,000	$3,401,625	$3,401,625	$0
Charges for Services	35,000	30,105	30,105	0
Fines and Forfeitures	6,000	7,993	7,993	0
Other	0	12,743	12,743	0
Total Revenues	3,501,000	3,452,466	3,452,466	0
Expenditures				
Current:				
Public Works	3,512,460	3,927,461	3,275,037	652,424
Excess of Revenues Over (Under) Expenditures	(11,460)	(474,995)	177,429	652,424
Other Financing Source (Use)				
Transfers In	75,000	341,580	75,000	(266,580)
Transfers Out	(250,000)	(400,300)	(163,385)	236,915
Total Other Financing Source (Use)	(175,000)	(58,720)	(88,385)	(29,665)
Net Change in Fund Balance	(186,460)	(533,715)	89,044	622,759
Fund Balance at Beginning of Year	834,537	834,537	834,537	0
Prior Year Encumbrances Appropriated	196,460	196,460	196,460	0
Fund Balance at End of Year	$844,537	$497,282	$1,120,041	$622,759

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, 2006

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues				
Property Taxes	$536,000	$508,943	$508,943	$0
Payments in Lieu of Taxes	1,500	2,641	2,641	0
Charges for Services	27,000	24,741	24,741	0
Intergovernmental	628,500	850,387	954,023	103,636
Other	0	1,524	1,524	0
Total Revenues	1,193,000	1,388,236	1,491,872	103,636
Expenditures				
Current:				
Health	1,215,000	1,232,979	1,188,680	44,299
Excess of Revenues Over (Under) Expenditures	(22,000)	155,257	303,192	147,935
Other Financing Source (Use)				
Transfers In	5,000	76,267	0	(76,267)
Transfers Out	(45,000)	(121,267)	0	121,267
Total Other Financing Sources (Use)	(40,000)	(45,000)	0	45,000
Net Change in Fund Balance	(62,000)	110,257	303,192	192,935
Fund Balance at Beginning of Year	589,277	589,277	589,277	0
Fund Balance at End of Year	$527,277	$699,534	$892,469	$192,935

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
Community Development Block Grant Fund
For the Year Ended December 31, 2006

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues				
Loan Repayments	$78,208	$74,087	$74,087	$0
Interest	17,169	27,500	27,500	0
Charges for Services	3,000	8,184	8,184	0
Intergovernmental	614,900	478,613	478,613	0
Contributions and Donations	40,700	5,100	5,100	0
Total Revenues	753,977	593,484	593,484	0
Expenditures				
Current:				
Economic Development	801,465	884,340	827,341	56,999
Excess of Revenues Over (Under) Expenditures	(47,488)	(290,856)	(233,857)	56,999
Other Financing Source (Use)				
Advances In	20,000	31,000	0	(31,000)
Advances Out	(20,000)	(31,000)	0	31,000
Total Other Financing Source (Use)	0	0	0	0
Net Change in Fund Balance	(47,488)	(290,856)	(233,857)	56,999
Fund Balance at Beginning of Year	367,612	367,612	367,612	0
Fund Balance at End of Year	$320,124	$76,756	$133,755	$56,999

See accompanying notes to the basic financial statements

Monroe County, Ohio
Statement of Fund Net Assets
Proprietary Fund
December 31, 2006

	Business-Type Activity
	Care Center
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	$611,832
Accounts Receivable	582,470
Prepaid Items	213
Materials and Supplies Inventory	26,300
Total Current Assets	1,220,815
Noncurrent Assets:	
Restricted Equity in Pooled Cash and Cash Equivalents	951
Depreciable Capital Assets, Net	241,864
Total Noncurrent Assets	242,815
Total Assets	1,463,630
Liabilities	
Current Liabilities:	
Accounts Payable	90,753
Accrued Wages Payable	41,594
Interfund Payable	26,626
Intergovernmental Payable	197,918
Accrued Interest Payable	3,563
Compensated Absences Payable	56,395
Current Portion of General Obliation Bonds Payable	80,000
Total Current Liabilities	496,849
Long-Term Liabilities (Net of Current Portion):	
General Obligation Bonds Payable	735,965
Compensated Absences Payable	23,640
Total Long-Term Liabilities	759,605
Total Liabilities	1,256,454
Net Assets	
Invested in Capital Assets, Net of Related Debt	(573,150)
Unrestricted	780,326
Total Net Asset	$207,176

See accompanying notes to the basic financial statements

Monroe County, Ohio
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended December 31, 2006

	Business-Type Activity Care Center
Operating Revenues	
Charges for Services	$3,628,121
Operating Expenses	
Personal Services	2,028,377
Contractual Services	1,520,553
Materials and Supplies	210,491
Depreciation	28,455
Other	36,927
Total Operating Expenses	3,824,803
Operating Loss	(196,682)
Non-Operating Revenue (Expense)	
Non-Operating Revenues	37,408
Interest and Fiscal Charges	(46,664)
Total Non-Operating Revenue (Expense)	(9,256)
Change in Net Assets	(205,938)
Net Assets Beginning of Year	413,114
Net Assets End of Year	$207,176

See accompanying notes to the basic financial statements

Monroe County, Ohio
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2006

	Business-Type Activity Care Center
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Customers	$3,439,523
Cash Payments for Employee Services and Benefits	(2,084,501)
Cash Payments for Goods and Services	(1,753,509)
Other Non-Operating Revenues	37,408
Other Operating Expenses	(34,089)
Net Cash Used for Operating Activities	(395,168)
Cash Flows from Capital and Related Financing Activities	
Principal Paid on General Obligation Bonds	(80,000)
Interest and Fiscal Charges Paid on General Obligation Bonds	(45,145)
Net Cash Used for Capital and Related Financing Activities	(125,145)
Net Decrease in Cash and Cash Equivalents	(520,313)
Cash and Cash Equivalents Beginning of Year	1,133,096
Cash and Cash Equivalents End of Year	$612,783
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	($196,682)
Adjustments:	
Other Non-Operating Revenues	37,408
Depreciation	28,455
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(188,598)
Increase in Materials and Supplies Inventory	(16,300)
Decrease in Prepaid Items	1,251
Decrease in Accounts Payable	(35,673)
Increase in Interfund Payable	26,626
Increase in Accrued Wages Payable	9,686
Decrease in Compensated Absences Payable	(12,527)
Decrease in Intergovernmental Payable	(48,814)
Net Cash Used for Operating Activities	($395,168)

See accompanying notes to the basic financial statements

Monroe County, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2006

Assets	
Equity in Pooled Cash and Cash Equivalents	$702,218
Cash and Cash Equivalents in Segregated Accounts	119,983
Investments in Segregated Accounts	96,458
Receivables:	
Property Taxes	8,132,786
Accounts	28,440
Intergovernmental	1,554,663
Total Assets	$10,634,548
Liabilities	
Intergovernmental Payable	$10,352,496
Deposits Held and Due to Others	111,360
Undistributed Monies	170,692
Total Liabilities	$10,634,548

See accompanying notes to the basic financial statements

NOTE 1 - REPORTING ENTITY

Established in 1813, Monroe County, Ohio (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 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 chief administrators of public services for the County, including each of these departments.

Reporting Entity

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

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the program's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations for which the County approves the budget, the levying of taxes, or the issuance of debt. The Monroe Adult Crafts Organization, Inc., (the Workshop) was previously presented as a component unit of the County. However, for 2006, this component unit's activity was considered immaterial and thus excluded from the financial statements.

The following potential component units have been excluded from the County's financial statements because the County is not financially accountable for these organizations nor are these entities for which the County approves the budget, the issuing of debt, or the levying of taxes:

Monroe County Agricultural Society
Monroe County Historical Society
Monroe County Law Library

As the custodian of public funds, the County Treasurer invests all public monies held on deposit in the county treasury. In the case of the separate agencies, boards, and commissions listed below, the County serves as fiscal agent, but is not financially accountable for their operations. Accordingly, the activity of the following entities is presented as agency funds in the County's 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 District is elected by a District Advisory Council comprised of township trustees, mayors of participating municipalities, and members of the 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 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.

The County participates in the following organizations which are defined as jointly governed organizations. Additional financial information concerning the jointly governed organizations is discussed in Note 18.

Buckeye Hills-Hocking Valley Regional Development District
Joint Solid Waste District
Guernsey-Monroe-Noble Community Action Corporation (GMN)
Southeast Ohio Juvenile Rehabilitation District (SOJRD)
Belmont, Harrison, and Monroe Counties Cluster
Mental Health Recovery Board
South Eastern Narcotics Team (SENT)
Monroe County Family and Children First Council
Buckeye Hills Resource Conservation and Development Project
Mid East Ohio Regional Council of Governments (MEORC)
Ohio Valley Employment Resource

The County is associated with the following organizations which are defined as related organizations. Additional financial information concerning the related organizations is presented in Note 19.

Monroe County District Public Library
Monroe County Community Improvement Corporation (CIC)
Monroe County Emergency Medical Service (EMS)

The County is associated with the County Risk Sharing Authority, Inc. (CORSA) and the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan which are defined as public entity pools. Additional information concerning these organizations is presented in Note 20.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to 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 funds unless those pronouncements conflict with or contradict GASB pronouncements. The County has elected not to apply Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, to its enterprise funds and business-type activities. The most significant of the County's accounting policies are described below.

A. 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 business-type activities 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.

A. <u>Fund Accounting</u>

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.

Public Assistance Fund - The Public Assistance Fund accounts for various federal and 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 - This fund accounts for revenue derived from motor vehicle licenses, gasoline taxes, grants, permissive sales taxes, and interest. Expenditures in this fund are restricted by State law to County road and bridge repair/improvements programs.

Mental Retardation Fund - The Mental Retardation Fund accounts for expenditures that benefit the mentally retarded and developmentally disabled. Revenue sources include a County-wide property tax levy and federal and state grants.

Community Development Block Grant (CDBG) Fund - The CDBG Fund accounts for revenues from the federal government used for a revolving loan program and for improvements to targeted areas within the County.

The other governmental funds of the County account for grants and other resources whose use is restricted to a particular purpose.

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.

Enterprise Funds - Enterprises funds may be used to account for any activity for which a fee is charged to external users for goods and services. The County reports the following major enterprise fund:

Care Center Fund - The Care Center Fund accounts for activity associated with the operation of a nursing home and rehabilitation center. Revenues are derived from patients and other non-operating sources. Expenses are for operating and capital related financing activities from the operation of the center.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the County's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The County's fiduciary funds are all classified as agency funds. The agency funds account for assets held by the County as agent for the Board of Health and other districts and entities and for various taxes and state shared resources collected on behalf of and distributed to other local governments.

C. Measurement Focus

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. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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 Revenues, Expenses, and 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.

D. Basis of Accounting

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. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified 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.

Revenues - Exchange and Nonexchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the County, available means expected to be received within sixty 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 year for which the taxes are levied (See Note 7). 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 taxes (see Note 8), 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 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, 2006, but which were levied to finance year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the 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.

Expenses/Expenditures 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.

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the County Commissioners may appropriate. The appropriations resolution is the County Commissioners' authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the County Commissioners. The legal level of control has been established by County Commissioners at the fund, program, department, and object level. Budgetary modifications may only be made by resolution of the County Commissioners.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the County Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources in effect at the time final appropriations were passed by the County.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the County Commissioners during the year.

F. Cash and Cash Equivalents

Cash balances of the County's funds, except cash held by a trustee, fiscal agent, or held in segregated accounts, are pooled and invested in short-term investments in order to provide improved cash management. During 2006, investments were limited to non-participating certificates of deposit, negotiable certificates of deposit, and STAROhio. Except for nonparticipating investment contracts, nvestments are reported at fair value which is based on quoted market prices. Non-participating investment contracts are reported at cost or amortized cost. STAROhio is an investment pool managed by the State Treasurer's office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does not operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2006. Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the County are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

Interest revenue is distributed to the funds according to the Monroe County Prosecutor's interpretation of Ohio constitutional and statutory requirements. Interest revenue credited to the General Fund during 2006 amounted to $347,299**,** which includes $335,445 assigned from other County funds.

G. Restricted Assets

Restricted cash and cash equivalents in the General Fund represent the amount of unclaimed monies not available for appropriation. The proprietary statement of net assets is also showing restricted cash and cash equivalents resulting from unspent debt proceeds relating to a previous bond issuance.

H. Receivables and Payables

Receivables and payables are recorded on the County's financial statements to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also, by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectibility. Using this criteria, the County has elected to not record child support arrearages. These amounts, while potentially significant, are not considered measurable, and because collections are often significantly in arrears, the County is unable to determine a reasonable value.

I. Inventory of Supplies

Inventories are presented at cost on a first-in, first-out basis and are expended/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 funds are expenses when used.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2006, 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.

K. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used 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.

L. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Assets but are not reported in the fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide Statement of Net Assets and in the funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital 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. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest costs incurred during the construction of capital assets utilized by the enterprise funds are also capitalized.

All reported capital assets are depreciated except for land, land improvements, and construction in progress. Improvements are depreciated or amortized over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the County's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Infrastructure	10-50 Years	10-50 Years
Buildings and Improvements	40 Years	40 Years
Vehicles and Equipment	4-10 Years	4-10 Years

Infrastructure consisting of roads and bridges are capitalized and includes infrastructure acquired prior to the implementation of Governmental Accounting Standards Board Statement No. 34.

M. Compensated Absences

Vacation 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 the County will compensate the employees for the benefits through paid time off or some other means. The County records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the County has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year-end taking into consideration any limits specified in the County's termination policy. The County records a liability for sick leave for employees with twenty or more years of service at any age or 10 years of service at age 50.

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

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated leave are paid. The non-current portion of the liability is not reported. For enterprise funds, the entire amount of compensated absences is reported as a fund liability.

N. 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, compensated absences and special termination benefits 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.

O. Fund Balance Reserves

The County records reservations for portions of fund balance which are legally segregated for 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 balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, loans receivable, and claimants. Reservation for claimants is established because by law, as unclaimed monies are not available for appropriation until they have remained unclaimed for five years.

P. Internal Activity

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities.

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 non-operating 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.

Q. 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. Net assets restricted for other purposes primarily include activities involving the upkeep of the County's roads and bridges, services for the handicapped and mentally retarded, and community development. The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide Statement of Net Assets reports $7,505,455 of restricted net assets, of which no amounts were restricted by enabling legislation.

R. 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 is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as non-operating.

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the County and that are either unusual in nature or infrequent in occurrence.

T. Estimates

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

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND BALANCES/NET ASSETS

A. Change in Accounting Principles

For 2006, the County has implemented GASB Statement No. 47 "Accounting for Termination Benefits". GASB Statement No. 47 establishes accounting standards for termination benefits. The implementation of this statement had no effect on the financial statements as of December 31, 2005.

B. Restatement of Prior Year Fund Balances/Net Assets

The fund classification was updated during 2006 to reclassify funds and/or fund types to more appropriately reflect the intended purpose of the funds. There was a restatement to the Mental Retardation Special Revenue Fund for cash held with a fiscal agent at Mid Eastern Ohio Regional Council of Governments (MEORC). During 2005, the Community Development Block Grants Special Revenue Fund (CDBG) had not reduced loans receivable by the amount of repayments on the loans that the County had received. A prior period adjustment was made to correctly report the outstanding loan balances as of December 31, 2005. A prior period adjustment was made to capital assets to retroactively report infrastructure constructed or significantly improved after 1980. Following are these adjustments and the restated fund balances/net assets as of December 31, 2005:

	General	Public Assistance	Maintenance	Mental Retardation	CDBG	Nonmajor Governmental Funds	Total
Fund Balances, 12/31/2005	$425,571	$785,821	$2,042,271	$255,931	$526,876	$1,544,892	$5,581,362
Fund Reclassification	19,262	341,841	0	167,136	0	(573,488)	(45,249)
MEORC	0	0	0	153,395	0	0	153,395
Loans Receivable	0	0	0	0	(109,519)	0	(109,519)
Restated Fund Balances, 12/31/2005	$444,833	$1,127,662	$2,042,271	$576,462	$417,357	$971,404	5,579,989

Net Assets, Governmental Activities, 12/31/2005	11,808,967
Fund Reclassification	(45,249)
Compensated Absences associated with Fund Reclassification	2,350
MEORC	153,395
Loans Receivable	(109,519)
Capital Assets	7,649,831
Restated Net Assets, Governmental Activities, 12/31/2005	$19,459,775

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

The Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General Fund and each major special revenue fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

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

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

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

D. Unrecorded cash and prepaid items are reported on the balance sheet (GAAP basis), but not on the budgetary basis.

E. Cash that is held by the agency funds on behalf of County funds on a budget basis are allocated and reported on the balance sheet (GAAP basis) in the appropriate County fund.

Adjustments necessary to convert the results of operations at year-end on the Budget basis to the GAAP basis are as follows:

Net Change in Fund Balances
General and Major Special Revenue Funds

	General	Public Assistance	Maintenance	Mental Retardation	CDBG
GAAP Basis	$75,377	($1,188,712)	$320,651	$314,172	$54,404
Net Adjustment for Revenue Accruals	(119,787)	469,623	90,335	(9,484)	(831)
Beginning of the Year:					
Prepaid Items	58,659	537	972	13,877	0
End of the Year:					
Unrecorded Cash	(35,403)	(51,559)	(7,132)	(1,754)	(419)
Agency Fund Cash Allocation	(15,746)	0	0	(13,497)	0
Prepaid Items	(89,224)	(3,956)	(1,267)	(100)	(250)
Net Adjustment for Expenditure Accruals	118,960	143,102	(47,884)	(22)	(286,761)
Debt Service Principal	(99,130)	0	0	0	0
Note Proceeds	99,130	0	0	0	0
Advances In	3,000	0	0	0	0
Encumbrances	(40,674)	(63)	(266,631)	0	0
Budget Basis	($44,838)	($631,028)	$89,044	$303,192	($233,857)

NOTE 5 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

The following funds had deficit fund balances as of December 31, 2006:

Fund Type/Fund	Net Assets
Special Revenue Funds:	
Public Assistance	$61,050
Bus	10,052
Children Services	276,923

The deficits in the governmental funds are due to the recognition of payables in accordance with generally accepted accounting principles. The General Fund provides operating transfers for these funds but only as cash is required, not as deficits occur.

B. Legal Compliance

The following accounts had expenditures plus encumbrances in excess of appropriations contrary to Section 5705.41(B), Revised Code:

	Excess
General Fund	
Principal Retirement	$31,315
Issue II	
Capital Outlay	294,534
Concealed Handgun License Issuance	
Principal Retirements	19,400
Dog and Kennel Special Revenue Fund	
Capital Outlay	11,570

Also, the General, Issue II, Concealed Handgun License Issuance, and the Dog and Kennel Funds' had actual receipts which exceeded budgeted receipts by $31,315, $294,534, $19,400, and $11,570, respectively, contrary to Section 5705.36 (A)(3), Revised Code.

The following funds had final appropriations exceeding final estimated resources plus available balances:

	Excess
Bus Special Revenue Fund	$752
Public Assistance Special Revenue Fund	18,159

The County will more closely monitor budgetary procedures pertaining to violations of this nature in the future.

NOTE 6 - DEPOSITS AND INVESTMENTS

Monies held by the County are classified by State Statute into two categories, active and inactive.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, 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.

Deposits held by the County, which are not considered active, are classified as inactive. Beginning June 15, 2004, inactive monies may be deposited or invested in the following securities provided a written investment policy has been filed with the Ohio Auditor of State:

1. United States Treasury Bills, Notes, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States, or any book entry, zero-coupon United States treasury security that is a direct obligation of the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any 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 it political subdivisions, provided that such political subdivision are located wholly or partly within the County;

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

6. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above, and repurchase agreements secured by such obligations, provided that these investments are made only through eligible institutions;

7. The State Treasurer's investment pool (STAROhio);

8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange similar securities or cash, equal value for equal value;

9. Commercial paper notes, corporate notes, and bankers' acceptances; and,

10. Debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government.

Repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Bankers' acceptances must mature within 180 days. Commercial paper and corporate notes must mature within 270 days. All other investments must mature within five years from the date of settlement unless matched to a specific obligation or debt of the County. Investments must be purchased with the expectation that they will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee 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 $47,371 in undeposited cash on hand which is included on the financial statements of the County as part of "Equity in Pooled Cash and Cash Equivalents."

Deposits

Custodial Credit Risk Custodial Credit Risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, $3,419,364 of the County's bank balance of $3,781,186 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

The County has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the County or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledge to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

At December 31, 2006, the County's Mental Retardation Special Revenue Fund had a cash balance of $243,986 with MEORC, a jointly governed organization (See Note 18). The money is held by MEORC in a pooled account which is representative of numerous entities and therefore cannot be classified by risk under GASB Statement 40. Any risk associated with the cash and cash equivalents and investments for MEORC as a whole may be obtained from their audit report. To obtain financial information, write to the Mid East Ohio Regional Council, Cathy Henthorn, who serves as Associate Director of Business, 160 Columbus Road, Mt. Vernon, Ohio 43050.

Investments

As of December 31, 2006, the County had the following investments which are in the internal investment pool:

	Fair Value	Maturity	Percent of Total Investments	Rating	Rating Agency
Negotiable Certificates of Deposit	$297,000	5/4/07-6/27/07	100%	N/A	N/A
STAROhio	$2,480,588	35 days	N/A	N/A	N/A

Interest Rate Risk The County's investment policy does not address interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the County, and that an investment must be purchased with the expectation that it will be held to maturity. The intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk STAROhio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time pf purchase by at least one nationally recognized standard rating service. The County has no investment policy that would limit its investment choices other than what has been approved by State statute.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The negotiable certificates of deposit are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agency but not in the County's name. The County has no investment policy dealing with investment custodial credit risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk The County places no limit on the amount it may invest in any one issuer. The percentage of total investments in listed in the table above.

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the County. Property tax revenue received during 2006 for real and public utility property taxes represents collections of 2005 taxes. Property tax payments received during 2006 for tangible personal property (other than public utility property) is for 2006 taxes.

2006 real property taxes are levied after October 1, 2006, on the assessed value as of January 1, 2006, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2006 real property taxes are collected in and intended to finance 2007.

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. 2006 public utility property taxes became a lien December 31, 2005, are levied after October 1, 2006, and are collected in 2007 with real property taxes.

2006 tangible personal property taxes are levied after October 1, 2005, on the value as of December 31, 2005. Collections are made in 2006. Tangible personal property assessments are being phased out - the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008, and zero for 2009.

The full tax rate for all County operations for the year ended December 31, 2006**,** was $8.10 per $1,000 of assessed value. The assessed values of real and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	$188,345,450
Public Utility Personal Property	45,410,320
General Business	12,249,250
Total Assessed Value	$246,005,020

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable at September 20.

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. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2006 and for which there is an enforceable legal claim. In the General Fund and Mental Retardation Special Revenue Fund, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2006 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

NOTE 8 - PERMISSIVE SALES AND USE TAXES

In 1967, in accordance with Section 5739.02 of the Revised Code, counties were authorized to levy an excise tax of 0.5% to 1-1/2%. The tax must be levied pursuant to a resolution of the County Commissioners and a copy of the resolution of the County Commissioners sent to the Tax Commissioner not later than 60 days prior to the effective date of the tax. The Tax Commissioner shall within forty-five days after the end of each month certify to the Director of Budget and Management the amount of the proceeds of such tax or taxes paid to the Treasurer of State during that month to be returned to the County. The Director then provides for payment to the County Treasurer on or before the twentieth day of the month in which the certification is made. The County Commissioners, adopted resolutions amounting to 1.5% for permissive sales tax as allowed by Section 5739.02 and 5741.02, Revised Code.

The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County. Proceeds of the tax are credited entirely to the General Fund. Sales and use tax revenue in 2006 amounted to $1,206,720.

NOTE 9 - RECEIVABLES

Receivables at December 31, 2006, consisted of taxes, interest, accounts (billings for user charged services) loans, and intergovernmental receivables arising from grants, entitlements and shared revenues. Management believes all receivables are fully collectible within one year. A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amount
Homestead and Rollback	$59,000
Local Government, Local Government Revenue Assistance, and Library and Local Governmental Support Subsidies	140,085
Motor Vehicle License Tax	527,484
Motor Vehicle Gas Tax	1,140,887
Indigent Defense	12,873
Community Development Block Grants	864,600
Youth Services Grants	25,000
Victims Assistance Grants	27,308
Public Transportation Grants	14,439
Community Corrections Grants	48,658
Emergency Management Grants	4,038
Homeland Security Grants	12,067
Public Assistance Grants and Subsidies	348,388
Mental Retardation State and Federal Grants	35,324
Miscellaneous Intergovernmental Receivables	7,595
Total Governmental Activities	$3,267,746

The Community Development Block Grant Special Revenue Fund reflects loans receivable of $274,581. This amount is for the principal owed to the County for Federal Community Development Block Grant Program monies loaned to businesses for improvements. The loans bear interest at annual rates of three to five percent. These loans are to be repaid over the next eight years.

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006, was as follows:

	Restated Balance December 31, 2005	Additions	Reductions	Balance December 31, 2006
Governmental Activities				
Non-Depreciable Capital Assets:				
Construction In Progress	$0	$50,051	$0	$50,051
Land	40,580	0	0	40,580
Total Non-Depreciable Capital Assets	40,580	50,051	0	90,631
Depreciable Capital Assets:				
Infrastructure	16,107,808	549,488	(597,344)	16,059,952
Buildings and Improvements	2,400,010	139,909	0	2,539,919
Vehicles and Equipment	3,656,144	680,166	(113,378)	4,222,932
Total Depreciable Capital Assets	22,163,962	1,369,563	(710,722)	22,822,803
Accumulated Depreciation:				
Infrastructure	(5,501,773)	(552,105)	597,344	(5,456,534)
Buildings and Improvements	(1,133,275)	(60,331)	0	(1,193,606)
Vehicles and Equipment	(2,607,619)	(309,634)	113,378	(2,803,875)
Total Accumulated Depreciation	(9,242,667)	(922,070) *	710,722	(9,454,015)
Total Depreciable Capital Assets, Net	12,921,295	447,493	0	13,368,788
Governmental Capital Assets, Net	$12,961,875	$497,544	$0	$13,459,419

*Depreciation expense was charged to governmental activities as follows:

Public Safety	$203,481
Public Works	596,501
Health	25,898
Human Services	85,092
Legislative and Executive	11,098
Total Depreciation Expense	$922,070

	Balance December 31, 2005	Additions	Reductions	Balance December 31, 2006
Business - Type Activities				
Depreciable Capital Assets:				
Buildings and Improvements	$1,208,246	$0	$0	$1,208,246
Vehicles and Equipment	24,942	0	0	24,942
Total Depreciable Capital Assets	1,233,188	0	0	1,233,188
Accumulated Depreciation:				
Buildings and Improvements	(937,927)	(28,455)	0	(966,382)
Vehicles and Equipment	(24,942)	0	0	(24,942)
Total Accumulated Depreciation	(962,869)	(28,455)	0	(991,324)
Total Depreciable Capital Assets, Net	270,319	(28,455)	0	241,864
Business - Type Activities Capital Assets, Net	$270,319	($28,455)	$0	$241,864

NOTE 11 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; employee injuries; and natural disasters. The County contracts with County Risk Sharing Authority, Inc. (CORSA) to address liability, auto, and crime insurance coverage. CORSA, a non-profit corporation sponsored by the County Commissioners Association of Ohio, was created to provide affordable liability, property, casualty, and crime insurance coverage for its members and was established May 12, 1987. Coverage is as follows:

General Liability	$1,000,000 each occurrence
Law Enforcement Liability	$1,000,000 each occurrence
Automobile Liability	$1,000,000 each occurrence
Errors and Omissions Liability	$1,000,000 each occurrence
	$1,000,000 annual aggregate
Excess Liability	$3,000,000
Property Damage Liability	$33,503,203
Equipment Breakdown	$100,000,000
Crime	$1,000,000
Uninsured/Undernsured Motorists	$250,000
Stop Gap Liability	$1,000,000
Medical Professional Liability	$4,000,000
Bridges	$493,710

The deductible on the above coverage for each occurrence is $2,500.

Settlements have not exceeded coverage in any of the last three years. There has not been a significant reduction in coverage from the prior year.

For 2006, the County participated in the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool (See Note 20). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings that accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to counties that can meet the Plan's selection criteria. The firm of Comp Management, Inc., provides administrative, cost control and actuarial services to the plan. Each year, the County pays an enrollment fee to the Plan to cover the costs of administering the program.

The County may withdraw from the Plan if written notice is provided sixty days prior to the prescribed application deadline of the Ohio Bureau of Workers' Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the Plan prior to withdrawal, and any participant leaving the Plan allows the representative of the Plan to access loss experience for three years following the last year of participation.

The County pays all elected official bonds by state statute.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

The County participates in the Ohio Public Employees Retirement System of Ohio (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800)-222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary. The County's contribution rate for pension benefits for 2006 was 13.7 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 16.93 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were $746,353, $974,000, and $843,000; approximately 98 percent has been contributed for 2006 and 100 percent for 2005 and 2004. Contributions to the combined and member-directed plans for 2006 were $4,796 made by the County and $3,150 made by the plan members.

B. State Teachers Retirement System (STRS)

Certified teachers, employed by the school for Mental Retardation and Developmental Disabilities, participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio 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, by calling (614) 227-4090, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds, times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the DB Plan for the fiscal years ended December 31, 2006, 2005, and 2004 were $24,290, $40,000, and $36,000, respectively; 100 percent has been contributed for fiscal years 2006, 2005, and 2004. There were no contributions to the DC and Combined Plans for fiscal year 2006.

NOTE 13 - POST-EMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System (OPERS)

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statue. The 2006 local government employer contribution rate was 13.7 percent of covered payroll (16.93 percent for public safety and law enforcement); 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans as of December 31, 2006 was 369,214 and 358,804 as of December 31, 2005. Actual employer contributions for 2006 which were used to fund postemployment benefits were $356,346. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2005, (the latest information available) were $11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $31.3 billion and $20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

B. State Teachers Retirement System (STRS)

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio). Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The system is funded on a pay-as-you-go basis.

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the County, this amount equaled $1,868 for 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was $3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS were $282,743,000 and STRS Ohio had 119,184 eligible benefit recipients.

NOTE 14 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

County employees earn vacation and sick leave at varying rates depending on length of service and department policy. The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn two to five weeks of vacation per year, depending on length of service. Vacation accumulation is limited to three years. All accumulated, unused vacation time is paid to eligible employees upon termination of employment.

Employees earn sick leave at the rate of 1.25 days per month of service. Sick leave accumulation is limited to 120 days. Upon retirement or death, an employee can be paid twenty-five percent of accumulated, unused sick leave.

B. Early Retirement Incentive

During 2006, the County offered a one-time retirement incentive. The amount of the incentive is based upon the employees' salaries and years of credit needed to be purchased to take advantage of this option. The OPERS requirements vary in that the County can pay for this cost in one-lump sum or over a period of years. The option chosen by the County depends upon the fund balances at the time these payments are due.

NOTE 15 - LONG-TERM OBLIGATIONS

Changes in the County's long-term obligations during 2006 consist of the following:

	Restated Outstanding 12/31/2005	Additions	Deletions	Outstanding 12/31/2006	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds:					
1998 4.75 % Senior Center - $488,000	$265,827	$0	$10,600	$255,227	$11,100
2006 Truck Loan - $11,570 - 5.599%	0	11,570	1,307	10,263	2,732
Early Retirement Incentive	0	154,784	0	154,784	75,909
Compensated Absences	391,719	213,543	173,131	432,131	195,507
Total Governmental Activities	657,546	379,897	185,038	852,405	285,248
	Outstanding 12/31/2005	Additions	Deletions	Outstanding 12/31/2006	Due Within One Year
Business - Type Activities					
General Obligation Bonds:					
1995 5.95% Care Center Improvement	285,000	0	20,000	265,000	20,000
2002 5.15% Care Center Improvement	625,000		60,000	565,000	60,000
Bond Discount	(15,803)	0	(1,768)	(14,035)	0
Total General Obligation Bonds	894,197	0	78,232	815,965	80,000
Compensated Absences	92,562	61,355	73,882	80,035	56,395
Total Business - Type Activities	986,759	61,355	152,114	896,000	136,395
Total Long-Term Liabilities	$1,644,305	$441,252	$337,152	$1,748,405	$421,643

Governmental Activities

General Obligation Bonds

During 1998, the County issued $488,000 in general obligation bonds that 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. These bonds were issued for the construction of a senior citizens facility. The final maturity date of the Senior Center Bonds is December 1, 2022.

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31,	Principal	Interest	Total
2007	$11,100	$12,123	$23,223
2008	11,700	11,596	23,296
2009	12,200	11,040	23,240
2010	12,800	10,461	23,261
2011	13,400	9,853	23,253
2012-2016	77,100	39,099	116,199
2017-2021	96,900	18,991	115,891
2022	20,027	951	20,978
Total	$255,227	$114,114	$369,341

Truck Loan
During 2006, the County issued a truck loan for $11,570. The truck will be used for the County's dog and kennel operations. The loan is backed by the full faith and credit of the County and will be retired from the Dog and Kennel Special Revenue Fund.

Early Retirement Incentive
During 2006, the County entered into a one time retirement incentive. The amount of the incentive is based upon the employees' salaries and years of credit needed to be purchased to take advantage of this option. The County will pay the early retirement incentive from the Public Assistance Special Revenue Fund.

Compensated Absences
The County will pay compensated absences from the General Fund and the Public Assistance, Maintenance, Real Estate Assessment, Dog and Kennel, Youth Services, Child Support Enforcement Agency, Delinquent Real Estate and Tax Collection, Victims Advocate, Monroe County Public Transportation, and Community Corrections Special Revenue Funds.

Business-Type Activities

General Obligation Bonds
The Care Center Improvement General Obligation Bonds were issued to provide funding for various repairs and improvements to the Care Center. These bonds will be paid from revenues derived from the operation of the Care Center. The bonds were sold at a discount that will be amortized over the life of the bonds using the straight-line method.

General Obligation Bond debt service requirements to maturity are as follows:

Year Ending December 31,	Principal	Interest	Total
2007	$80,000	$42,155	$122,155
2008	75,000	39,016	114,016
2009	75,000	35,078	110,078
2010	50,000	31,141	81,141
2011	55,000	28,281	83,281
2012-2016	290,000	92,013	382,013
2017-2021	170,000	35,717	205,717
2022	35,000	1,802	36,802
Total	$830,000	$305,203	$1,135,203

Compensated Absences
The County will pay compensated absences from the Care Center Enterprise Fund.

The County's overall legal debt margin at December 31, 2006 was $4,722,888.

NOTE 16 - NOTES PAYABLE

The following summarizes the note transactions for the year ended December 31, 2006:

	Interest Rate	Outstanding 12/31/2005	Issued	Retired	Outstanding 12/31/2006
General Fund					
Revenue Anticipation Note	4.95%	$0	$31,315	$31,315	$0
Revenue Anticipation Note	4.95%	0	31,315	31,315	0
Revenue Anticipation Note	4.95%	0	36,500	36,500	0
Total General Fund		0	99,130	99,130	0
Concealed Handgun License Fund					
Revenue Anticipation Note	4.40%	6,500	0	6,500	0
Revenue Anticipation Note	4.95%	0	6,500	6,500	0
Revenue Anticipation Note	4.95%	0	6,450	6,450	0
Total Concealed Handgun License Fund		6,500	12,950	19,450	0
Total All Funds		$6,500	$112,080	$118,580	$0

All notes are revenue anticipation notes and are backed by the full faith and credit of the County. These notes were issued for the purpose of short-term operating financing.

NOTE 17 - INTERNAL BALANCES

Interfund balances at December 31, 2006 consist of the following individual fund receivables and payables:

	Interfund Receivable				
	Major Funds				
Interfund Payable	General	Public Assistance	Maintenance	Other Nonmajor Governmental	Total
Major Funds					
General Fund	$563	$0	$0	$0	$563
Public Assistance	42,602	0	0	0	42,602
Maintenance	23,312	0	0	0	23,312
Other Nonmajor Governmental	27,639	359,093	435,211	9,939	831,882
Care Center	26,626	0	0	0	26,626
Total All Funds	$120,742	$359,093	$435,211	$9,939	$924,985

The above interfund receivables/payables are due to time lags between the dates interfund goods and services are provided, transactions recorded in the accounting system, and payments between funds were made. Also, interfund balances are the result of short-term loans from the General Fund to the Bus Special Revenue Fund. All amounts are expected to be repaid within one year.

Interfund transfers during 2006 consisted of the following:

	Transfer to				
	Major Funds				
Transfer from	General	Public Assistance	Maintenance	Other Nonmajor Governmental	Totals
Major Funds:					
General Fund	$0	$0	$75,000	104,567	$179,567
Maintenance	0	0	0	163,385	163,385
Other Nonmajor Governmental	0	0	0	21,212	21,212
Total All Funds	$0	$0	$75,000	$289,164	$364,164

Transfers were used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; to move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

A. 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. During 2006, the District received no money or contributions from Monroe County. 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.

B. Joint Solid Waste District (District) - The County is a member of the District, which is a jointly governed organization. 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. Financial records were maintained by Muskingum County until May 1993 at which time Noble County assumed the responsibility. The District's sole revenue source is a waste disposal fee for in-district and out-of-district waste. Although the County contributed amounts to the District at the time of its creation, no contributions were received from the County in 2006. No future contributions by the County are anticipated.

A forty-three member policy committee, comprised of seven 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. Continued existence of the District is not dependent on the County's continued participation. The County does not have an equity interest in or a financial responsibility for the District. The District has no outstanding debt.

C. 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 to help eliminate conditions of poverty within Guernsey, Monroe, and Noble counties. The GMN is governed by a fifteen-member Board of Directors which consists of three Commissioners from each county, three business owners from each county, and three low income individuals elected by each county. The three business owners are nominated by other local business owners and the three low income individuals are nominated by local town council meetings.

GMN received 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 GMN. GMN is not accumulating significant financial resources and is not experiencing financial distress that may cause an additional financial benefit to or burden on the County.

During 2006, the County contracted with GMN to provide senior citizens services. Through this contract, the County is acting as fiscal agent for the collection and settlement of the senior citizens levy. The County is also annually paying ½ of the cost of the general obligation bonds used to build the senior citizen center.

D. 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 equity interest in, or a financial responsibility for, the Board. Monroe County does not contribute monies directly to fund the district.

E. 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.

F. Mental Health Recovery Board (Board) - The Board is responsible for delivery of comprehensive mental heath 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, contract, and management. The Board is not dependent upon the County for its continue existence, no debt exists, and the County does not have an equity interest in, or a financial responsibility for, the Board. The County's 2006 contribution to the Board was $6,000.

G. 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.

H. Monroe County Family and Children First Council - The Monroe County Family and Children First Council is a jointly governed organization created under the Ohio Revised Code Section 121.37. The Council is comprised of the following members: Superintendent of Monroe Board of MR/DD, a designee from the Monroe County Health Department, Director of Monroe County Department of Job and Family Services, Superintendent of Switzerland of Ohio Local School District, Monroe County Commissioner, Mayor of the Village of Woodsfield, a representative from Ohio Department of Youth Services, a designee from the Mental Health and Recovery Board, Executive Director of GMN Tri-County CAC, a representative from GMN Tri-County, and three parent representatives. The continued existence of the Council is not dependent of the County's continued participation and no equity interest exists. The Council has no outstanding debt.

I. Buckeye Hills Resource Conservation and Development Project (Project) - The Project was organized to lead local efforts directed toward improving social and economic conditions of the Buckeye Hills RC&D Area through development, conservation, and proper use of all resources of the area. It serves Athens, Belmont, Fairfield, Hocking, Meigs, Monroe, Morgan, Noble, Perry, and Washington Counties. The Project is governed by an executive council. The Council is composed of one County Commissioner from each county, one member from the Soil and Water

Conservation District of each county, a representative chosen jointly by the county commissioners and Soil and Water Conservation District of each county, a member from the Muskingum Watershed Conservancy District, and one member from the Rush Creek Conservancy District. The Council has total control over budgeting, personnel, and all other financial matters. During 2006, the Council received $625 in dues from Monroe County. The continued existence of the District is not dependent on the County’s continued participation and no equity interest exists.

J. Mid East Ohio Regional Council of Governments (MEORC) - MEORC is a jointly governed organization which serves seventeen counties in Ohio. MEORC provides services to the mentally retarded and developmentally disabled residents in the participating counties. MEORC is made up of the superintendents of each county's Board of Mental Retardation and Developmental Disabilities. Revenues are generated by fees and state grants. During 2006, the County contributed $6,038 to MEORC. Continued existence of MEORC is not dependent on the County’s continued participation, and the County has no equity interest in or financial responsibility for MEORC. MEORC has no outstanding debt.

K. Ohio Valley Employment Resource - The Ohio Valley Employment Resource is a jointly governed organization whereby the three county commissioners from Monroe, Noble, Morgan, and Washington Counties serve on the governing board. The Ohio Valley Employment Resource was formed for the purpose of creating and providing employment and training programs in response to local need, a part of which is implementation of the Workforce Investment Act, P.L. 105-220. The continued existence of the Ohio Valley Employment is not dependent on the County’s continued participation and no equity interest exists. The Ohio Valley Employment Resource has no outstanding debt.

NOTE 19 - RELATED ORGANIZATIONS

A. 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 not serve as 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.

B. 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 loan, buildings, machinery, and equipment as well as working capital.

C. Monroe County Emergency Medical Service (EMS) – The EMS is a non-profit organization that was created under Ohio Revised Code Section 1702. The governing officers consist of a president, vice-president, secretary, and twelve trustees, two from each squad. The EMS furnishes emergency services to Monroe County and to such other political subdivisions as sign and have contracts with the Monroe County Commissioners. The EMS is to conduct an existing organizations for planning further education between various emergency rescue services.

NOTE 20 - PUBLIC ENTITY POOLS

A. County Risk Sharing Authority, Inc. (CORSA)

The County Risk Sharing Authority, Inc. (CORSA) is a public entity shared risk pool among forty-one counties in Ohio. CORSA was formed as an Ohio non-profit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by CORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance, and public officials' errors and omissions liability insurance.

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the board of trustees. CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates. The County does not have an equity interest in or a financial responsibility for CORSA. Any additional premium or contribution amounts and estimates of losses are not reasonably determinable. The County's payment for insurance to CORSA in 2006 was $171,259.

B. County Commissioners Association of Ohio Workers’ Compensation Group Rating 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 the month of December each year. No participant can have more than member of the group executive committee in any year, and each elected members shall be a county commissioner.

NOTE 21 - RELATED PARTY TRANSACTIONS

Monroe Adult Crafts Organization (MACO), an immaterial component unit of Monroe County, received contributions from the County for facilities, certain equipment, transportation, and salaries for administration, implementation, and supervision of its programs. These contributions are reflected as in-kind contributions and expenses at cost or fair market value as applicable, in MACO's basic financial statements.

NOTE 22 - FOOD STAMPS

The County's Department of Job and Family Services (Welfare) distributes, through contracting issuance centers, federal food stamps to entitled recipients within Monroe County. The receipt and issuance of the stamps have the characteristics of a federal grant. However, the Department of Job and Family 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 23 - CONTINGENT LIABILITIES

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the county commissioners believe such disallowances, if any, will be immaterial.

Claims and lawsuits are pending against the County. Based upon information provided by the County's legal counsel, any potential liability and effect on the financial statements, if any, is not determinable at this time.

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MONROE COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2006

FEDERAL GRANTOR *Pass Through Grantor* Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Ohio Department of Education			
National School Lunch Program	066142-LLP4-05/06/07	10.555	$7,316
Direct Program			
Grassland Reserve Program	N/A	10.920	3,558
Total U.S. Department of Agriculture			10,874
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through Ohio Department of Development			
Community Development Block Grants/State's Program	B-W-02-052-1	14.228	58,813
	B-F-05-052-1		337,440
	B-F-06-052-1		24,200
	B-C-03-052-1		4,788
	B-C-06-052-1		19,582
Total Community Development Block Grant/State's Program			444,823
HOME Investment Partnerships Program	B-C-03-052-2	14.239	87,776
Total U.S. Department of Housing and Urban Development			532,599
U.S. DEPARTMENT OF LABOR			
Passed Through Ohio Valley Employment Resource (Workforce Investment Act Area 15)			
Workforce Investment Act (WIA) Cluster:			
WIA Adult Programs (SFY 06)	N/A	17.258	95,845
WIA Adult Programs (SFY 07)	N/A		71,697
			167,542
WIA Youth Activities (SFY 06)	N/A	17.259	30,203
WIA Youth Activities (SFY 07)	N/A		26,034
			56,237
WIA Dislocated Workers (SFY 06)	N/A	17.260	1,355,685
WIA Dislocated Workers (SFY 07)	N/A		1,372,435
WIA Dislocated Workers (SFY 07)-Admin	N/A		456
			2,728,576
Total Workforce Investment Act Cluster			2,952,355
Total U.S. Department of Labor			2,952,355
U.S. DEPARTMENT OF TRANSPORTATION			
Direct Program			
Airport Improvement Program	3-39-0092-0404	20.106	7,769
	3-39-0092-0505		5,176
	3-39-0092-0606		25,365
Total Airport Improvement Program			38,310
Passed Through Ohio Department of Transportation			
Formula Grants for Other Than Urbanized Areas	RPT 4056-025-061	20.509	109,311
	RPT 0056-025-062		45,974
Total Formula Grants for Other Than Urbanized Areas			155,285
Total U.S. Department of Transportation			193,595

MONROE COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)

FEDERAL GRANTOR *Pass Through Grantor* Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF EDUCATION			
Passed Through Ohio Department of Education			
Special Education Cluster			
Special Education - Grants to States	066142-6BSF-2006	84.027	$16,755
	066142-6BSF-2007		13,134
Total Special Education - Grants to States			29,889
Special Education - Preschool Grants	066142-PGS1-2006	84.173	6,365
	066142-PGS1-2007		4,220
Total Special Education - Preschool Grants			10,585
Total Special Education Cluster			40,474
State Grants for Innovative Programs	066142-C2S1-2006	84.298	127
	066142-C2S1-2007		44
Total State Grants for Innovative Programs			171
Passed Through Ohio Department of Health			
Special Education - Grants for Infants and Families with Disabilities	56-1-002-1-EG-06	84.181	11,920
	56-1-002-1-EG-07		11,728
Total Special Education - Grants for Infants and Families with Disablities			23,648
Total U.S. Department of Education			64,293
ELECTION ASSISTANCE COMMISSION			
Passed Through Ohio Secretary of State			
Help America Vote Act Requirements Payments	E05-0012-56	90.401	143,103
Total Election Assistance Commission			143,103
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through Ohio Department of Mental Retardation and Developmental Disabilities			
Social Services Block Grant	N/A	93.667	23,552
Medical Assistance Program	CAFS	93.778	50,502
	TCM		32,556
	WAIVERS		32,074
Total Medical Assistance Program			115,132
Passed Through Buckeye-Hills Hocking Valley Regional Development District			
Aging Cluster:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	N/A	93.044	16,716
Special Programs for the Aging - Title III, Part C - Nutrition Services	N/A	93.045	33,820
Nutrition Services Incentive Program	N/A	93.053	8,388
Total Aging Cluster			58,924
Low-Income Home Energy Assistance	N/A	93.568	784
Medical Assistance Program (Passport)	N/A	93.778	22,515
Passed through Ohio Department of Jobs and Family Services			
Promoting Safe and Stable Families	N/A	93.556	29,619
Child Welfare Services - State Grants	N/A	93.645	63,251
Child Abuse and Neglect State Grants	N/A	93.669	2,223
Chafee Foster Care Independence Program	N/A	93.674	1,395
Total U.S. Department of Health and Human Services			317,395

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)

FEDERAL GRANTOR *Pass Through Grantor* Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through Ohio Department of Public Safety			
Emergency Management Performance Grants	2006-EME60042	$97	$14,912
State Homeland Security Program (SHSP)	2005-GE-T5-0001	97.073	15,439
	2006-GE-T6-0051		9,351
Total State Homeland Security Program			24,790
Disaster Grants - Public Assistance	FEMA-1556-DR	97.036	450
	FEMA-1580-DR		249,345
Total Disaster Grants - Public Assistance			249,795
Total U.S. Department of Homeland Security			289,497
Total Federal Awards Expenditures			**$4,503,711**

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

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 2006

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SUBRECIPIENTS

The County passes-through certain federal assistance received from the Ohio Department of Development to other governments or not-for-profit agencies (subrecipients). As described in Note A, the County records expenditures of federal awards to subrecipients when paid in cash.

The subrecipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under Federal Circular A-133, the County is responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of contracts or grant agreements, and that performance goals are achieved.

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. The expenditure of non-Federal matching funds is not included on the Schedule.

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Monroe County
101 North Main Street
Woodsfield, Ohio 43793

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Monroe County, Ohio (the County), as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 17, 2007, wherein we noted the County reclassified certain funds to different opinion units to more appropriately reflect the intended purpose of the funds. We also noted the County retroactively reported general infrastructure constructed or significantly improved after 1980 as capital assets of governmental activities. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the County's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the County's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting: 2006-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the County's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We do not believe the significant deficiency described above is a material weakness.

We also noted certain internal control matters that we reported to the County's management in a separate letter dated December 17, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards,* which is described in the accompanying Schedule of Findings as item 2006-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated December 17, 2007.

The County's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the County's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the audit committee, management, the Board of County Commissioners, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 17, 2007

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

Monroe County
101 North Main Street
Woodsfield, Ohio 43793

To the Board of County Commissioners:

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 apply to each of its major federal programs for the year ended December 31, 2006. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Monroe County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2006. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that OMB Circular A-133 requires us to report, which is described in the accompanying Schedule of Findings as item 2006-002.

Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the 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 directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that the County's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the County's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the County's management in a separate letter dated December 17, 2007.

The County's response to the finding we identified is described in the accompanying Schedule of Findings. We did not audit the County's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the audit committee, management, the Board of County Commissioners, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 17, 2007

MONROE COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133§ .505
DECEMBER 31, 2006

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unqualified
(d)(1)(ii)	**Were there any material control weaknesses reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	Yes
(d)(1)(iv)	**Were there any material internal control weaknesses reported for major federal programs?**	No
(d)(1)(iv)	**Were there any other significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unqualified
(d)(1)(vi)	**Are there any reportable findings under § .510?**	Yes
(d)(1)(vii)	**Major Programs (list):**	Community Development Block Grants/State's Program CFDA #14.228 Workforce Investment Act (WIA) Cluster CFDA #17.258, 17.259, 17.260
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	No

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

FINDING NUMBER 2006-001

Noncompliance and Significant Deficiency

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated.

Ohio Rev. Code Section 5705.36 (A)(3) allows all subdivisions to request an increased amended certificate of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater than the amount in the official estimate. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue.

During the year ended December 31, 2006, the County did not post certain Issue II on-behalf payments to the accounting system. This resulted in adjustments to the accompanying financial statements. The County also did not budget for this activity.

Failure to estimate receipts and appropriate for this activity resulted in the following variances between budget and actual activity at the legal level of control:

Fund / Account	Appropriations	Actual	Variance
Issue II Capital Outlay	$0	$294,534	($294,534)

Fund / Account	Budgeted Receipts	Actual	Variance
Issue II Intergovernmental	$0	$294,534	($294,534)

We recommend the County follow the budgetary scheme of Chapter 5705 of the Revised Code and monitor appropriations, amending them as appropriate to record these funds. We further recommend the County refer to Auditor of State Bulletins 2000-008 and 2002-004 and follow the recommended accounting treatment for all Ohio Public Works Commission funding expended directly to contractors on behalf of the County.

Officials Response: We were not aware that we must book payments that we actually do not receive, so we were not in compliance. We now understand our role when the County receives “On Behalf Payments” and have put in place procedures to eliminate this from happening again.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2006-002
CFDA Title and Number	Workforce Investment Act (WIA) Cluster CFDA #17.258, 17.259, 17.260
Federal Award Number / Year	N/A
Federal Agency	U.S. Department of Labor
Pass-Through Agency	Ohio Valley Employment Resource (WIA Area 15)

Noncompliance Finding – Workforce Investment Act (WIA) Cash Management

29 C.F.R. Section 97.20(b)(7) provides that procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees. 31 C.F.R. § 205.33(a) provides that fund transfers shall be limited to the minimum amounts needed and be timed to be in accord with the actual, immediate cash requirements of the organization in carrying out the purpose of the program or project. The timing and amount of fund transfers shall be as close as is administratively feasible to the actual cash outlay by the State for direct program costs and the proportionate share of any allowable indirect costs.

Monroe Works entered into a contract with Ohio Valley Employment Resource. Under the contractual agreement, Monroe Works is to submit all requests for funds to the Ohio Valley Employment Resource weekly and will follow the State Department of Job and Family Services draw calendar. The Ohio Department of Job and Family Services currently has a 10 day disbursement cycle.

We noted excessive cash balances maintained in the WIA funds. We recalculated the daily cash need to be less than $12,700; however, the WIA fund carried a balance throughout the year anywhere from approximately $158,000 to $472,000, which would indicate that drawdowns submitted by Monroe Works were in excess of their immediate needs.

We recommend Monroe Works implement procedures to monitor the cash drawdown requests provided to Ohio Valley Employment Resource to ensure the cash requests are for immediate needs.

Officials' Response and Corrective Action Plan: The County's WIA officials recognized that monies held were in excess of the amounts allowable. Monroe Works implemented a new process for drawing and monitoring funds so that they will only maintain actual cash needed for their immediate need. (Responsible contact person – Taten Ayers, Interim WIA Director; Anticipated completion date – December 31, 2007)

MONROE COUNTY

SCHEDULE OF PRIOR AUDIT FINDING
OMB CIRCULAR A-133 §.315 (b)
DECEMBER 31, 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***:
2005-001	29 C.F.R. § 97.20(b)(7) provides that procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. There were excessive cash balances maintained in the WIA funds.	No	Not Corrected. This Finding is repeated as Finding No. 2006-002.

Mary Taylor, CPA
Auditor of State

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
JANUARY 3, 2008

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