FINANCIAL CONDITION
MONROE COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2005

Auditor of State
Betty Montgomery

MONROE COUNTY

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Auditor of State
Betty Montgomery

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, the discretely presented component unit, each major fund and the aggregate remaining fund information of Monroe County, Ohio (the County), as of and for the year ended December 31, 2005, 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 did not audit the financial statements of the Monroe Adult Crafts Organization, Inc., the County's only discretely presented component unit. Other auditors audited those financial statements. They have furnished their report thereon to us, and we base our opinion, insofar as it relates to the amounts included for the Monroe Adult Crafts Organization, Inc., on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. The other auditors audited the financial statements of the Monroe Adult Crafts Organization, Inc., in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Monroe County, Ohio, as of December 31, 2005, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General, Public Assistance, Maintenance, and Mental Retardation Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2005, the County implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

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In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2006, 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.

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.

Betty Montgomery

Betty Montgomery
Auditor of State

December 8, 2006

The discussion and analysis of Monroe County's financial performance provides an overall review of the County's financial activities for the year ended December 31, 2005. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for the year 2005 are as follows:

- Net assets of governmental activities increased $2,793,376.
- Net assets of governmental activities are $11,808,967. Of this amount, only $5,736 is unrestricted and may be used to meet the County's ongoing obligations.
- Total assets grew by $3,075,470, or approximately 23%.
- The County had $15,918,382 in expenses related to governmental activities; only $13,917,314 of these expenses are offset by program specific charges for services, grants, and contributions. General revenues of $4,794,444 were adequate to provide for these programs.
- Property and sales taxes are $2,803,854 or 58% percent of total general revenues.

Using this Annual Financial Report

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

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

Reporting the County as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the County to provide programs and activities for citizens, the view of the County as a whole looks at all financial transactions and asks the question, "How did we do financially during year 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Governmental Activities – Most of the County's programs and services are reported here.

Business-Type Activities – These services have a charge based upon the amount of usage. The County's sole business-type activity is the Care Center.

Component Unit – The County includes the Monroe Adult Crafts Organization, Inc. (MACO Workshop) in its report. Although legally separate, this component unit is important because the MACO Workshop is fiscally dependent on the County.

Reporting the County's Most Significant Funds

Fund Financial Statements

The analysis of the County's major funds is included in the fund financial statements. Fund financial reports provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the General Fund, Public Assistance, Maintenance, and the Mental Retardation Funds.

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

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

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

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

The County as a Whole

Recall that the Statement of Net Assets provides the perspective of the County as a whole. Table 1 provides a summary of the County's net assets for 2005 compared to 2004.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	$ 9,264,169	7,710,785	1,538,432	1,425,630	10,802,601	9,136,415
Capital assets	5,312,044	3,852,776	270,319	320,303	5,582,363	4,173,079
Total assets	14,576,213	11,563,561	1,808,751	1,745,933	16,384,964	13,309,494
Long-term debt outstanding	659,896	655,582	986,759	1,065,455	1,646,655	1,721,037
Other liabilities	2,107,350	1,892,390	408,878	294,192	2,516,228	2,186,582
Total liabilities	2,767,246	2,547,972	1,395,637	1,359,647	4,162,883	3,907,619
Net assets:						
Invested in capital assets, net of debt	5,046,217	3,576,749	(60,702)	15,303	4,985,515	3,592,052
Restricted:						
For capital purposes	428,553	882,455	562,876	562,876	991,429	1,445,331
Other purposes	6,328,461	4,238,715	-	-	6,328,461	4,238,715
Unrestricted	5,736	317,670	(89,060)	(191,893)	(83,324)	125,777
Total net assets	$ 11,808,967	9,015,589	413,114	386,286	12,222,081	9,401,875

Current assets increased approximately $1,666,186 due primarily 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 declined slightly as the County made its required annual debt payments.

Table 2 shows the changes in net assets for 2005 compared to 2004.

Table 2
Change in Net Assets

		Governmental Activities		Business-Type Activities		Total	
		FY05	FY04	FY05	FY04	FY05	FY04
Revenues:							
Program revenues:							
Charges for services and sales	$	1,038,767	578,797	3,156,821	2,933,333	4,195,588	3,512,130
Operating grants and contributions		12,031,950	5,518,112	-	-	12,031,950	5,518,112
Capital grants and contributions		846,597	273,790	-	-	846,597	273,790
Total program revenues		13,917,314	6,370,699	3,156,821	2,933,333	17,074,135	9,304,032
General revenues:							
Property taxes		1,493,143	1,815,882	-	-	1,493,143	1,815,882
Sales taxes		1,310,711	3,085,338	-	-	1,310,711	3,085,338
Grants and entitlements		566,228	189,227	-	-	566,228	189,227
Investment earnings		217,983	84,730	-	-	217,983	84,730
Miscellaneous		1,206,379	1,826,580	502	2,454	1,206,881	1,829,034
Total general revenues		4,794,444	7,001,757	502	2,454	4,794,946	7,004,211
Total revenues		18,711,758	13,372,456	3,157,323	2,935,787	21,869,081	16,308,243
Expenses:							
Legislative and executive		1,404,961	1,248,252	-	-	1,404,961	1,248,252
Judicial		561,697	528,544	-	-	561,697	528,544
Public safety		1,786,462	2,274,798	-	-	1,786,462	2,274,798
Public works		3,217,134	2,765,163	-	-	3,217,134	2,765,163
Health		1,450,678	1,289,176	-	-	1,450,678	1,289,176
Human services		5,769,624	4,043,990	-	-	5,769,624	4,043,990
Economic development		1,544,060	173,566	-	-	1,544,060	173,566
Other		163,697	490,036	-	-	163,697	490,036
Interest and fiscal charges		20,069	27,569	-	-	20,069	27,569
Care center		-	-	3,130,495	2,796,347	3,130,495	2,796,347
Total expenses		15,918,382	12,841,094	3,130,495	2,796,347	19,048,877	15,637,441
Change in net assets	$	2,793,376	531,362	26,828	139,440	2,820,204	670,802

Governmental Activities

Operating grants increased by approximately $6.5 million during 2005. The major recipients of intergovernmental program revenues were the Public Assistance, Maintenance, and Mental Retardation funds.

Total revenues of the governmental activities increased by $5.3 million and total expenses increased $3.0 million.

The maintenance department had an increase in revenue in 2005 due to FEMA and Ohio Public Works Commission money. MRDD increase was due to increases of $20,000 in the Tax Equity Revenue, Dept. of Education Foundation Disbursement funds of approximately $50,000, and Dept. of Education Federal Flow Thru Grant increase of $44,000. The increase in Public Assistance was partially due to a pass through grant for WIA in the amount of $87,956.

Business-Type Activities

Revenues for the Care Center were flat during 2005. However, expenses increased by approximately 12%.

The Care Center had an increase in Medicare days over 2004 of 119. This increase in days also increases residents care cost of pharmacy, IV medicine and supplies, X-rays etc. Medicare is usually 2 months behind on reimbursement so that is why our expenses were up, and revenues were about the same. Travel expenses also went up for transporting residents to doctor appointments. The Care Center's worker's compensation premium increased $40,298 over 2004 premium.

The County Funds

The County's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of $18,572,476 and expenditures of $17,347,166.

The Maintenance Department's increase was mostly due to the 2 cent a gallon increase in State tax reimbursed to the Maintenance Dept. MRDD increase was due to the increases in Tax Equity Revenue, Dept. of Education Foundation Disbursement, and Dept. of Education Federal Flow Thru Grant monies. The increase in Public Assistance was due to WIA grant.

General Fund Budgeting Highlights

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

During the course of 2005, the County amended its General Fund appropriations, and the budgetary statement reflects both the original and final appropriated amounts. For the General Fund, original budgeted revenues were $3,489,157, and final budgeted revenues were $3,666,409. The primary increase was related to E-Squad revenues. Original budgeted expenditures were approximately $3,362,166 and final budgeted expenditures were approximately $3,510,038. Public safety and others costs proved to be higher than anticipated in the original budget.

Capital Assets and Debt Administration

Capital Assets

At the end of the year 2005, the County's primary government had $5,582,363 invested in capital assets. U.S. generally accepted accounting principles require that general depreciable capital assets be carried at cost, or estimated historical cost, and depreciated over the remaining useful lives of the capital assets. The capitalization threshold for the County is $10,000 for buildings, improvements, equipment and vehicles and $15,000 for infrastructure. Table 3 shows year 2005 balances compared to 2004.

Table 3
Capital Assets at December 31

		Governmental Activities		Business-Type Activities		Totals	
		2005	2004	2005	2004	2005	2004
Land	$	40,580	40,580	-	-	40,580	40,580
Infrastructure		3,305,705	1,875,454	-	-	3,305,705	1,875,454
Buildings and improvements		2,595,268	2,488,689	1,208,246	1,208,246	3,803,514	3,696,935
Vehicles and equipment		4,020,652	3,582,317	24,942	24,942	4,045,594	3,607,259
Accumulated depreciation		(4,650,161)	(4,134,264)	(962,869)	(912,885)	(5,613,030)	(5,047,149)
Total	$	5,312,044	3,852,776	270,319	320,303	5,582,363	4,173,079

See the Note 10 for more detailed information of the County's capital assets.

Debt

At December 31, 2005, the County had $1,646,655 in long-term obligations, $452,781 of which are due within one year.

See Note 15 for more detailed information of the County's outstanding debt.

Economic Factors

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

Contacting the County's Financial Management

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

MONROE COUNTY, OHIO

Statement of Net Assets

December 31, 2005

		Primary Government			Component Unit
		Governmental Activities	Business-Type Activities	Total	MACO Workshop
Assets					
Equity in Pooled Cash and Cash Equivalents	$	4,819,847	1,133,096	5,952,943	54,048
Taxes Receivable		1,276,925	-	1,276,925	-
Accounts Receivable		31,594	393,872	425,466	11,312
Interest Receivable		22,702	-	22,702	-
Intergovernmental Receivable		2,510,064	-	2,510,064	-
Prepaid Items		77,008	1,464	78,472	211
Sales Taxes Receivable		169,842	-	169,842	-
Loans Receivable		322,187	-	322,187	-
Inventory Held for Resale		-	-	-	70,681
Materials and Supplies Inventory		34,000	10,000	44,000	-
Nondepreciable Capital Assets		40,580	-	40,580	-
Depreciable Capital Assets, net		5,271,464	270,319	5,541,783	14,659
Total Assets		14,576,213	1,808,751	16,384,964	150,911
Liabilities					
Accounts Payable		546,554	126,426	672,980	4,554
Accrued Wages and Benefits		69,022	31,908	100,930	3,790
Pension Obligation Payable		79,554	18,672	98,226	
Intergovernmental Payable		165,588	228,060	393,648	-
Accrued Interest Payable		14,779	3,812	18,591	-
Deferred Revenue		1,225,353	-	1,225,353	-
Notes Payable		6,500	-	6,500	-
Long-Term Liabilities:				-	
Due Within One Year		296,210	156,571	452,781	-
Due In More Than One Year		363,686	830,188	1,193,874	-
Total Liabilities		2,767,246	1,395,637	4,162,883	8,344
Net Assets					
Invested in Capital Assets, Net of Related Debt		5,046,217	(60,702)	4,985,515	21,290
Restricted for:					
Other purposes		3,405,597	-	3,405,597	-
Capital purposes		428,553	562,876	991,429	-
Maintenance		2,608,241	-	2,608,241	-
Mental Retardation		314,623	-	314,623	-
Unrestricted		5,736	(89,060)	(83,324)	121,277
Total Net Assets	$	11,808,967	413,114	12,222,081	142,567

See accompanying notes to the basic financial statements

MONROE COUNTY, OHIO

Statement of Activities

Year Ended December 31, 2005

		Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General Government:				
Legislative and Executive	$ 1,404,961	258,590	-	-
Judicial	561,697	192,303	-	-
Public Safety	1,786,462	70,583	387,390	521,848
Public Works	3,217,134	20,430	4,348,916	324,749
Health	1,450,678	404,190	737,751	-
Human Services	5,769,624	81,042	5,182,412	-
Economic Development	1,544,060	11,629	1,375,481	-
Other	163,697	-	-	-
Interest and Fiscal Charges	20,069	-	-	-
Total Governmental Activities	15,918,382	1,038,767	12,031,950	846,597
Business-Type Activities:				
Care Center	3,130,495	3,156,821	-	-
Total Business-Type Activities	3,130,495	3,156,821	-	-
Total - Primary Government	$ 19,048,877	4,195,588	12,031,950	846,597
Component Unit				
MACO Workshop	$ 171,251	145,935	-	-

General Revenues

Property Taxes Levied for:

General Purposes

Special Revenue

Sales Taxes

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	MACO Workshop
(1,146,371)	-	(1,146,371)	-
(369,394)	-	(369,394)	-
(806,641)	-	(806,641)	-
1,476,961	-	1,476,961	-
(308,737)	-	(308,737)	-
(506,170)	-	(506,170)	-
(156,950)	-	(156,950)	-
(163,697)	-	(163,697)	-
(20,069)	-	(20,069)	-
(2,001,068)	-	(2,001,068)	-
-	26,326	26,326	-
-	26,326	26,326	-
(2,001,068)	26,326	(1,974,742)	-
-	-	-	(25,316)
$ 716,854	-	716,854	-
776,289	-	776,289	-
1,310,711	-	1,310,711	-
566,228	-	566,228	-
217,983	-	217,983	-
1,206,379	502	1,206,881	41,997
4,794,444	502	4,794,946	41,997
2,793,376	26,828	2,820,204	16,681
9,015,591	386,286	9,401,877	125,886
$ 11,808,967	413,114	12,222,081	142,567

MONROE COUNTY, OHIO

Balance Sheet

Governmental Funds

December 31, 2005

		General	Public Assistance	Maintenance	Mental Retardation	Other Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	$	82,070	396,469	1,030,997	268,746	2,904,513
Taxes Receivable		731,496	-	-	503,600	41,829
Accounts Receivable		16,873	2,248	409	1,345	10,719
Interest Receivable		21,214	-	-	-	1,488
Interfund Receivable		18,205	187,820	592,807	-	-
Intergovernmental Receivable		259,297	341,552	1,723,700	101,893	83,622
Prepaid Items		58,659	75	972	13,877	3,425
Sales Taxes Receivable		169,842	-	-	-	-
Materials and Supplies Inventory		4,000	7,000	22,200	-	800
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents		137,052				
Loans Receivable		-	-	-	-	322,187
Total Assets	$	1,498,708	935,164	3,371,085	889,461	3,368,583
Liabilities						
Accounts Payable	$	72,320	73,701	91,353	9,073	300,107
Interfund Payable		-	-	-	-	798,832
Accrued Wages and Benefits		18,506	12,225	10,147	11,975	16,169
Due to Other Governments		21,974	55,289	51,000	9,797	27,528
Pension Obligation Payable		25,793	8,128	17,537	5,868	22,228
Deferred Revenue		934,544	-	1,158,777	596,817	125,451
Notes Payable		-	-	-	-	6,500
Total Liabilities		1,073,137	149,343	1,328,814	633,530	1,296,815
Fund Balances						
Reserved for Encumbrances		17,668	-	135,426	-	7,421
Reserved for Inventory		4,000	7,000	22,200	-	800
Reserved for Loans Receivable		-	-	-	-	322,187
Reserved for Unclaimed Monies		137,052				
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund		266,851	-	-	-	-
Special Revenue Funds		-	778,821	1,884,645	255,931	1,532,320
Capital Project Funds		-	-	-	-	209,040
Total Fund Balances		425,571	785,821	2,042,271	255,931	2,071,768
Total Liabilities and Fund Balances	$	1,498,708	935,164	3,371,085	889,461	3,368,583

See accompanying notes to the basic financial statements

MONROE COUNTY, OHIO

Balance Sheet

Governmental Funds (Continued)

December 31, 2005

Total Governmental Funds
4,682,795
1,276,925
31,594
22,702
798,832
2,510,064
77,008
169,842
34,000
137,052
322,187
10,063,001
546,554
798,832
69,022
165,588
79,554
2,815,589
6,500
4,481,639
160,515
34,000
322,187
137,052
266,851
4,451,717
209,040
5,581,362
10,063,001

Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities:

Total Governmental Funds Balances		$	5,581,362
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			5,312,044
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:			
Property and Other Taxes	303,008		
Intergovernmental	1,287,228		
			1,590,236
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due			(14,779)
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported in the funds:			
General Obligation Bonds	265,827		
Compensated Absences	394,069		
			(659,896)
Net assets of governmental activities		$	11,808,967

MONROE COUNTY, OHIO

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year Ended December 31, 2005

		General	Public Assistance	Maintenance	Mental Retardation	Other Governmental Funds
Revenues						
Property taxes	$	769,131	-	-	450,355	276,550
Sales taxes		1,205,139		-		
Intergovernmental		388,051	2,166,289	3,578,404	725,191	6,418,001
Interest		217,201	-	-	-	3,308
Licenses and Permits		1,196	-	-	-	47,693
Fines and Forfeitures		42,978	-	8,397	-	1,031
Rentals		5,878	-	-	-	9,969
Charges for Services		658,044	-	12,033	-	367,524
Other		248,869	689,019	19,129	39,347	223,749
Total Revenues		3,536,487	2,855,308	3,617,963	1,214,893	7,347,825
Expenditures						
Current:						
General Government:						
Legislative and Executive		1,225,987	-	-	-	173,587
Judicial		490,533	-	-	-	69,664
Public Safety		1,027,805	-	-	-	651,331
Public Works		-	-	3,039,183	-	1,533,878
Health		271,267	-	-	1,091,971	51,308
Human Services		113,316	2,588,906	-	-	3,189,160
Economic Development		-	-	-	-	1,544,060
Other		125,038	-	-	-	-
Capital Outlay		-	-	-	-	126,993
Debt Service:						
Principal Retirement		-	-	-	-	10,200
Interest and Fiscal Charges		5,303	-	3,888	-	13,788
Total Expenditures		3,259,249	2,588,906	3,043,071	1,091,971	7,363,969
Excess of Revenues Over (Under) Expenditures		277,238	266,402	574,892	122,922	(16,144)
Other Financing Sources (Uses)						
Transfers In		53,075	-	346,890	-	353,717
Transfers Out		(111,043)	(46,075)	(145,666)	-	(450,898)
Total Other Financing Sources (Uses)		(57,968)	(46,075)	201,224	-	(97,181)
Net Change in Fund Balances		219,270	220,327	776,116	122,922	(113,325)
Fund Balances Beginning of Year (Restated)		206,301	565,494	1,266,155	133,009	2,185,093
Fund Balances End of Year	$	425,571	785,821	2,042,271	255,931	2,071,768

See accompanying notes to the basic financial statements

Total Governmental Funds
1,496,036
1,205,139
13,275,936
220,509
48,889
52,406
15,847
1,037,601
1,220,113
18,572,476
1,399,574
560,197
1,679,136
4,573,061
1,414,546
5,891,382
1,544,060
125,038
126,993
10,200
22,979
17,347,166
1,225,310
753,682
(753,682)
-
1,225,310
4,356,052
5,581,362

MONROE COUNTY, OHIO

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds (Continued)
Year Ended December 31, 2005

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds		$1,225,310
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 greater than $10,000 is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital Asset Additions	1,975,165	
Depreciation	(515,897)	
Total		1,459,268
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property and Other Taxes	(2,893)	
Intergovernmental Revenue	168,839	
Other Revenues	(26,664)	
Total		139,282
Repayment of bond principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		10,200
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		2,910
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(43,594)
Change in Net Assets of Governmental Activities		$2,793,376

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, 2005

	Budgeted Amounts			Variance
	Original	Final	Actual	with Final Budget
Revenues:				
Property taxes	$ 829,496	$ 769,131	$ 769,131	$ -
Sales taxes	1,260,000	1,237,401	1,237,401	-
Intergovernmental	381,820	388,051	388,051	-
Charges for services	640,683	673,160	656,750	(16,410)
Fines and forfeitures	36,970	40,810	40,810	-
Licenses and permits	2,150	1,221	1,221	-
Investment income	75,000	195,987	195,987	-
Rental income	11,340	5,989	5,989	-
Other	251,698	354,659	253,743	(100,916)
Total revenues	3,489,157	3,666,409	3,549,083	(117,326)
Expenditures:				
Current:				
General government:				
Legislative and executive	1,335,240	1,423,954	1,301,389	122,565
Judicial	500,521	494,659	488,949	5,710
Public safety	1,258,782	1,273,486	1,270,560	2,926
Health	41,668	47,760	47,220	540
Human services	126,984	126,972	112,866	14,106
Other	98,971	143,207	142,388	819
Total expenditures	3,362,166	3,510,038	3,363,372	146,666
Excess of revenues over expenditures	126,991	156,371	185,711	29,340
Other financing sources (uses):				
Transfers in	-	54,349	54,349	-
Transfers out	(89,178)	(245,986)	(245,986)	-
Advances in	2,100	4,700	4,700	-
Advances out	-	(19,428)	(19,428)	-
Total other financing sources (uses)	(87,078)	(206,365)	(206,365)	-
Net Change in Fund Balance	39,913	(49,994)	(20,654)	29,340
Fund balance, beginning of year (Restated)	146,384	146,384	146,384	-
Prior year encumbrances appropriated	41,471	41,471	41,471	-
Fund balance, end of year	$ 227,768	$ 137,861	$ 167,201	$ 29,340

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, 2005

	Budgeted Amounts			Variance
	Original	Final	Actual	with Final Budget
Revenues:				
Intergovernmental	$ 2,350,000	$ 1,824,743	$ 1,824,743	$ -
Other	240,000	835,205	835,205	-
Total revenues	2,590,000	2,659,948	2,659,948	-
Expenditures:				
Current:				
Human services	2,634,000	2,891,749	2,588,542	303,207
Total expenditures	2,634,000	2,891,749	2,588,542	303,207
Excess of revenues over (under) expenditures	(44,000)	(231,801)	71,406	303,207
Other financing sources (uses):				
Transfers in	50,000	-	-	-
Transfers out	-	(46,075)	(46,075)	-
Total other financing sources (uses)	50,000	(46,075)	(46,075)	-
Net Change in Fund Balance	6,000	(277,876)	25,331	303,207
Fund balance, beginning of year (Restated)	318,332	318,332	318,332	-
Fund balance, end of year	$ 324,332	$ 40,456	$ 343,663	$ 303,207

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, 2005

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues:				
Intergovernmental	$2,650,000	$3,499,714	$3,499,714	$ -
Charges for services	35,000	5,720	5,720	-
Fines and forfeitures	7,400	8,873	8,873	-
Other	2,500	25,160	25,160	-
Total revenues	2,694,900	3,539,467	3,539,467	-
Expenditures:				
Current:				
General government:				
Public works	2,785,779	4,087,125	3,531,515	555,610
Capital outlay	40,000	257,172	256,538	634
Total expenditures	2,825,779	4,344,297	3,788,053	556,244
Excess of revenues over (under) expenditures	(130,879)	(804,830)	(248,586)	556,244
Other financing sources (uses):				
Transfers in	75,000	346,890	346,890	-
Transfers out	(175,000)	(248,641)	(248,641)	-
Total other financing sources (uses)	(100,000)	98,249	98,249	-
Net Change in Fund Balance	(230,879)	(706,581)	(150,337)	556,244
Fund balance, beginning of year (Restated)	919,194	919,194	919,194	-
Prior year encumbrances appropriated	65,679	65,679	65,679	-
Fund balance, end of year	$ 753,994	$ 278,292	$ 834,536	$ 556,244

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, 2005

	Budgeted Amounts			Variance
	Original	Final	Actual	with Final Budget
Revenues:				
Property taxes	$ 466,500	$ 450,355	$ 450,355	$ -
Intergovernmental	627,500	713,063	713,063	-
Other	39,500	42,316	42,316	-
Total revenues	1,133,500	1,205,734	1,205,734	-
Expenditures:				
Current:				
General government:				
Health	1,133,500	1,141,762	1,107,709	34,053
Total expenditures	1,133,500	1,141,762	1,107,709	34,053
Net Change in Fund Balance	-	63,972	98,025	34,053
Fund balance, beginning of year (Restated)	170,721	170,721	170,721	-
Fund balance, end of year	$ 170,721	$ 234,693	$ 268,746	$ 34,053

See accompanying notes to the basic financial statements

MONROE COUNTY, OHIO

Statement of Fund Net Assets

Proprietary Funds

December 31, 2005

		Business Type Activity
		Care Center
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	$	570,220
Accounts Receivable		393,872
Materials and Supplies Inventory		10,000
Prepaid Items		1,464
Total Current Assets		975,556
Noncurrent Assets:		
Restricted Equity in Pooled Cash and Cash Equivalents		562,876
Capital Assets:		
Depreciable Capital Assets, Net		270,319
Total Noncurrent Assets		833,195
Total Assets		1,808,751
Liabilities		
Current Liabilities:		
Accounts Payable		126,426
Accrued Wages and Benefits		31,908
Pension Obligation Payable		18,672
Intergovernmental Payable		228,060
Accrued Interest Payable		3,812
General Obligation Bonds Payable		80,000
Total Current Liabilities		488,878
Long-Term Liabilities:		
General Obligation Bonds Payable (net of current portion)		814,197
Compensated Absences		92,562
Total Long-Term Liabilities		906,759
Total Liabilities		1,395,637
Net Assets		
Restricted		502,174
Unrestricted		(89,060)
Total Net Assets	$	413,114

See accompanying notes to the basic financial statements

MONROE COUNTY, OHIO

Statement of Revenues,

Expenses and Changes in Fund Net Assets

Proprietary Funds

Year Ended December 31, 2005

		Business Type Activity
		Care Center
Operating Revenues		
Charges for Services	$	3,156,821
Miscellaneous		502
Total Operating Revenues		3,157,323
Operating Expenses		
Personnel Services		1,952,527
Contractual Services		812,302
Materials and Supplies		230,412
Other		33,323
Depreciation		49,984
Total Operating Expenses		3,078,548
Operating Income		78,775
Non-Operating Revenues (Expenses)		
Interest and Fiscal Charges		(51,947)
Total Non-Operating Revenues (Expenses)		(51,947)
Change in Net Assets		26,828
Net Assets Beginning of Year		386,286
Net Assets End of Year	$	413,114

See accompanying notes to the basic financial statements

MONROE COUNTY, OHIO

Statement of Cash Flows

Proprietary Funds

Year Ended December 31, 2005

		Business Type Activity Care Center
Cash Flows from Operating Activities		
Cash Received from Customers	$	2,905,245
Cash Payments to Employees for Services and Benefits		(1,894,787)
Cash Payments for Goods and Services		(1,022,583)
Net Cash (Used in) Operating Activities		(12,125)
Cash Flows from Capital and Related Financing Activities		
Principal Paid on Bonds		(80,000)
Interest Paid on Bonds		(48,135)
Net Cash (Used in) Capital and Related Financing Activities		(128,135)
Net (Decrease) in Cash and Cash Equivalents		(140,260)
Cash and Cash Equivalents Beginning of Year		1,273,356
Cash and Cash Equivalents End of Year	*$*	1,133,096
Reconciliation of Operating Gain to Net Cash (Used in) Operating Activities		
Operating Income	$	78,775
Adjustments:		
Depreciation		49,984
Change in Assets and Liabilities:		
Accounts Receivable		(252,078)
Prepayments		(984)
Accounts Payable		54,438
Accrued Wages and Benefits		(14,875)
Pension Obligation Payable		18,672
Compensated Absences Payable		1,304
Intergovernmental Payable		52,639
Net Cash (Used in) Operating Activities	$	(12,125)

See accompanying notes to the basic financial statements

MONROE COUNTY, OHIO

Statement of Fiduciary Net Assets and Liabilities

Agency Funds

December 31, 2005

		Total
Assets		
Equity Pooled in Cash and Cash Equivalents	$	606,036
Cash and Cash Equivalents in Segregated Accounts		158,980
Real and Other Taxes Receivable		9,035,488
Special Assessments Receivable		138,979
Due from Other Governments		1,295,477
Total Assets	$	11,234,960
Liabilities		
Due to Other Governments	$	11,026,923
Deposits Held and Due to Others		141
Undistributed Money		207,896
Total Liabilities	$	11,234,960

See accompanying notes to the basic financial statements

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NOTE 1 – REPORTING ENTITY AND BASIS OF PRESENTATION

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

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

REPORTING ENTITY

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

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

The component unit column on the financial statements identifies the financial data of the County's discretely presented component unit. It is reported separately to emphasize that it is legally separate from the County.

DISCRETELY PRESENTED COMPONENT UNIT

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

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

JOINTLY GOVERNED ORGANIZATIONS

Buckeye Hills-Hocking Valley Regional Development District ("District") – The District serves as the Area Agency on Aging for Monroe, Athens, Hocking, Meigs, Morgan, Noble, Perry, and Washington Counties. The District was created to foster a cooperative effort in regional planning, programming, and implementing plans and programs. The District is governed by a fifteen-member Board of Directors. The Board is comprised of one County Commissioner from each county, one member from the City of Athens, one member from the City of Marietta, four at-large members appointed from the ten government members, and one member from the minority sector. The Board has total control over budgeting, personnel, and all other financial matters. The District administers County Community Development Block Grant and Issue II monies. During 2005, the District received $2,018 in administrative fees 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.

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

The District is governed and operated through three groups. An eighteen member Board of Directors, comprised of three Commissioners from each county, is responsible for the District's financial matters. The District's sole revenue source is a waste disposal fee for in-District and out-of-District waste. Although the County contributed monies to the District at the time of its creation, no contributions were paid by the County in 2005, and no future contributions are anticipated. A thirty-one member Policy Committee comprised of five members from each county and one at-large member appointed by the Policy Committee, is responsible for preparing the solid waste management plan of the District in conjunction with a Technical Advisory Council whose members are appointed by the Policy Committee. The continued existence of the District is not dependent on the County's continued participation, no equity interest exists, and no debt is outstanding.

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

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

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

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

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

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.

Mental Health Recovery Board ("Board") – The Board is responsible for delivery of comprehensive mental health and substance abuse services in Belmont, Harrison, and Monroe Counties. The Board provides no direct services but contracts for their delivery. The Board's function is to assess needs, and to plan, monitor, fund and evaluate the services. The Board is managed by eighteen members, six appointed by Commissioners of Belmont County, two each by Commissioners of Harrison and Monroe Counties and are proportionate to population, four by Ohio Department of Drug and Alcohol, and four by the State Department of Mental Health. Each participating county's influence is limited to the number of members each appoints to the Board. The Board exercises total control of the budgeting, appropriation, contracting, and management. The Board is not dependent upon the County for its continued existence, no debt exists, and the County does not have an equity interest in, or a financial responsibility for, the Board. The County's 2005 contribution to the Board was $6,000.

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.

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

Monroe County Family and Children First Council - The Monroe County Family and Children First Council is a jointly governed organization created under 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.

Buckeye Hills Resource Conservation and Development Project - The Buckeye Hills Resource Conservation and Development 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 the 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 Districts 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 2005, the Council received $600 in administrative fees from Monroe County. The continued existence of the District is not dependent on the County's continued participation and no equity interest exists.

Mid Eastern Ohio Regional Council of Governments (MEORC) - The Mid Eastern Ohio Regional Council of Governments is a regional council of governments created pursuant to Ohio Revised Code Chapter 167. Participating counties include Belmont, Carroll, Coshocton, Fairfield, Guernsey, Harrison, Hocking, Holmes, Jefferson, Knox, Monroe, Morgan, Muskingum, Noble, Perry, Tuscarawas, and Washington Counties. MEORC was created to provide the best possible services to persons with mental retardation and disability in their respective counties. Each county has representation on the MEORC board. Member counties have a contract between its county MR/DD board and the MEORC for MEORC to provide supported living services or housing to eligible persons in the member counties. Continued existence of the Council is not dependent on the County's continued participation. The County has no equity interest in, or financial responsibility for the Council. The Council has no outstanding debt. During 2005, the County contributed $16,514 to MEORC.

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 Resource is not dependent on the County's continued participation and no equity interest exists. The Ohio Valley Employment Resource has no outstanding debt.

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

RELATED ORGANIZATIONS

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

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

POOLS

County Risk Sharing Authority, Inc. (CORSA) - The County Risk Sharing Authority, Inc. (CORSA) is a public entity shared risk pool among fifty-five 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 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 2005 was $224,451.

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

County Commissioners Association of Ohio Workers' Compensation Group Plan ("Plan") - The County is participating in a group-rating plan for Workers' Compensation as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners Association of Ohio Service Corporation (CCAOSC) was established through the County Commissioners Association of Ohio (CCAO) as a group purchasing pool. A Group Executive Committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services and general management fees, determining ongoing eligibility of each participant, and performing any other acts and functions which may be delegated to it by the participating employers. The Group Executive Committee consists of seven members. Two members are the President and Treasurer of CCAOSC; the remaining five members are representatives of the participants. These five members are elected for the ensuing year by the participants at the meeting held in December each year. No participant can have more than one member of the Group Executive Committee in any year, and each elected member shall be a County Commissioner.

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

EXCLUDED POTENTIAL COMPONENT UNITS

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 issuance of debt, or the levying of taxes:

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

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

In the case of the separate agencies, boards, and commissions listed below, the County serves as fiscal agent and custodian, but is not accountable for their operations. Accordingly, the activities of the following districts and entities are presented as agency funds within the basic financial statements.

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

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

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

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

Information in the notes to the basic financial statements is applicable to the primary government. Information provided relative to the component unit is presented in Note 18.

BASIS OF PRESENTATION

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

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

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

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

FUND ACCOUNTING

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

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

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.

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

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

Fiduciary Fund – Fiduciary fund reporting focuses on net assets. The fiduciary fund type focuses solely on agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County’s 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, assessments, and state shared resources collected on behalf of and distributed to other local governments.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the County are included on the Statement of Net Assets. 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 reconciliations 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 fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the County finances and meets the cash flow needs of its proprietary activities.

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the County, available means expected to be received within 60 days of year-end.

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2005, but which were levied to finance 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

BUDGETARY PROCESS

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

The legal level of budgetary control (that is, the level at which transfers of budget amounts cannot be made without legislative approval) is established at the object level within each department. Budgetary modification may only be made by resolution of the County Commissioners.

Tax Budget

A tax budget of estimated revenues and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Resources

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

Appropriations

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

Encumbrances

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

Lapsing of Appropriations

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

CASH AND CASH EQUIVALENTS

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During 2005, the County had investments in certificates of deposit, which are reported at cost, and investments in the State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office that 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 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, 2005.

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

Under existing Ohio statutes, all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during 2005 amounted to $217,201, which includes $208,125 assigned from other County funds.

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

PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond December 31, 2005, 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.

RESTRICTED ASSETS

Restricted cash and cash equivalents in the General Fund represent the amount of unclaimed monies available for appropriation. Restricted cash and cash equivalents in the Care Center Enterprise Fund represent the amount of unspent debt proceeds as of December 31, 2005.

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.

INVENTORY

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

CAPITAL ASSETS

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 the enterprise fund are reported both in the business-type activities column of the government-wide statement of net assets and in the fund.

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.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized.

Infrastructure consisting of roads and bridges are capitalized. The County has not yet retroactively reported infrastructure prior to January 1, 2003, the date of implementing Governmental Accounting Standards Board Statement No. 34.

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated 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 for capital assets is determined by allocating the cost of the capital assets over the estimated useful lives of the assets on the straight-line basis. The estimated useful lives are as follows:

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

COMPENSATED ABSENCES

The County reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences," as interpreted by Interpretation No. 6 of the GASB, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the County will compensate the employees for the benefits through paid time off or some other means. The County records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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 contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and long-term loans are recognized as a liability in the governmental fund financial statements when due.

INTERFUND BALANCES

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

RESERVATION OF FUND BALANCES

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 constitutional provisions or 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 miscellaneous other activities. The government-wide statement of net assets reports $7,319,890 of restricted net assets, of which $367,719 is restricted by enabling legislation.

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

OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

INTERFUND ACTIVITY

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

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

ACCOUNTING ESTIMATES

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

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES/RESTATEMENT OF PRIOR YEAR FUND BALANCES

Changes in Accounting Principles For 2005, the County has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" and GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries".

GASB Statement No. 40 establishes new disclosure requirements for risks associated with deposits and investments. See Note 5 "Deposits and Investments" for the required disclosures.

GASB Statement 42 establishes accounting and financial reporting standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries. The implementation of this Statement had no effect on net assets as presented at December 31, 2004.

Restatement of Prior Year Fund Balance The interfund receivable and payables have been restated to correct errors in the prior years' balances. The restatement had the following effect on fund balances:

	Public Assistance	Other Governmental Funds
Fund Balance at 12/31/04	$ 229,240	$ 2,521,347
Interfund Restatement	336,254	(336,254)
Restated Fund Balance at 12/31/04	$ 565,494	$ 2,185,093

Restatement of Prior Year Budgetary Fund Balance The fund balances on a budget basis have been restated to correct errors in the prior years' balances. The restatement had the following effect on budget basis fund balances:

	General	Public Assistance	Maintenance	Mental Retardation
Fund Balance at 12/31/04	$ 290,217	$ 332,716	$ 966,761	$ 56,955
Prior Period Errors	(143,833)	(14,384)	(47,567)	113,766
Restated Fund Balance at 12/31/04	$ 146,384	$ 318,332	$ 919,194	$ 170,721

NOTE 4 – BUDGET TO GAAP RECONCILIATION

BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis, as provided by law, requires accounting for certain transactions according to cash receipts, disbursements, and encumbrances. The Statements of Revenues, Expenditures and Changes in Fund Balance-Budget (Non-GAAP Basis) and Actual are presented on the basic financial statements for the General Fund and Major Special Revenue Funds.

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

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

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

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

The adjustments necessary to convert the results of operations for the year ended December 31, 2005 on the GAAP basis to the budget basis are as follows:

NET CHANGE IN FUND BALANCE
GENERAL AND MAJOR SPECIAL REVENUE FUNDS

	General	Public Assistance	Maintenance	Mental Retardation
GAAP Basis	$ 219,270	$ 220,327	$ 776,116	$ 122,922
Adjustments:				
Revenue Accruals	12,596	(195,360)	(78,496)	(9,159)
Expenditure Accruals	(52,201)	53,170	(548,522)	(15,738)
Transfers In	1,274	-	-	-
Transfers Out	(134,943)	-	(102,975)	-
Advances In	4,700	-	-	-
Advances Out	(19,428)	-	-	-
Encumbrances	(51,922)	(52,806)	(196,460)	-
Budget Basis	$ (20,654)	$ 25,331	$ (150,337)	$ 98,025

NOTE 5 - DEPOSITS AND INVESTMENTS

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

Active monies are public monies determined to be necessary to meet current demand upon the County treasury. Active monies must be maintained as either 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.

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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 with certain limitations in the following securities provided the County has filed a written investment policy 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. Bond and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;

5. Time certificates of deposit or 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 either similar securities or cash, equal value for equal value;

9. Up to twenty-five percent of the County's average portfolio in either of the following:

   a. commercial paper notes in entities incorporated under the laws of Ohio or any other State that have assets exceeding five hundred million dollars rated at the time of purchase, which are rated in the highest qualification established by two nationally recognized standard rating services, which do not exceed ten percent of the value of

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

the outstanding commercial paper of the issuing corporation and which mature within 270 days after purchase;

b. bankers acceptances eligible for purchase by the federal reserve system and which mature within 180 days after purchase.

10. Fifteen percent of the County's average portfolio in notes issued by U.S. corporations or by depository institutions that are doing business under authority granted by the U.S. provided that the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;

11. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency or instrumentality, and/or highly rated commercial paper; and,

12. One percent of the County's average portfolio in 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.

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Other than corporate notes, commercial paper, and bankers acceptances, 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 $57,897 in undeposited cash on hand which is included on the financial statements 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, $627,288 of the County's bank balance of $1,137,340 was exposed to custodial credit risk since it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the County's name. 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 FDIC.

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

The County has no deposit policy for custodial credit 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 and pledged 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.

Investments

As of December 31, 2005, the County had an investment in STAROhio which is part of the internal investment pool. The carrying value of STAROhio was $6,149,534, and the investment has a maturity of thirty days.

Interest Rate Risk

The County has no investment policy that addresses 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.

Credit Risk

STAROhio carries a rating of AAAm 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 of 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.

Component Unit

At December 31, 2005, the County's component unit, the MACO Workshop, had a carrying amount of cash of $54,048 and the bank balance was $55,679, which was fully insured by federal deposit insurance.

NOTE 6 - INTERFUND TRANSACTIONS

Advances between funds are presented as interfund receivables/payables at December 31, 2005. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be paid within one year.

	Receivable	Payable
General Fund	$ 18,205	$ -
Public Assistance	187,820	-
Maintenance	592,807	-
Nonmajor Governmental Funds	-	798,832
Total	$ 798,832	$ 798,832

NOTE 6 - INTERFUND TRANSACTIONS (Continued)

Interfund transfers for the year ended December 31, 2005 consisted of the following, as reported on the fund statements:

	Transfer to				
	Major Funds				
Transfer from	General	Public Assistance	Maintenance	Other Nonmajor Governmental	Totals
Major Funds:					
General Fund				$111,043	$111,043
Public Assistance	$46,075				46,075
Maintenance				145,666	145,666
Other Nonmajor Governmental	7,000		346,890	97,008	450,898
Total All Funds	$53,075	-	$346,890	$353,717	$753,682

Transfers are used to move revenues from the fund that statue or budget requires to collect them to the fund that statue or budget requires to expend them; to move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to provide additional resources for current operations or debt services; reclassification of prior year distributed monies, to segregate money for anticipated capital projects; and to return money to the fund from which it was originally provided once a project is completed.

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 2005 for real and public utility property taxes represents collections of 2004 taxes. Property tax payments received during 2005 for tangible personal property (other than public utility property) is for 2005 taxes.

2005 real property taxes are levied after October 1, 2005, on the assessed value as of January 1, 2005, the lien date. Assessed values are established by state law at 35 percent of appraised market value. 2005 real property taxes are collected in and intended to finance 2006.

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. 2005 public utility property taxes became a lien December 31, 2004, are levied after October 1, 2005, and are collected in 2006 with real property taxes.

2005 tangible personal property taxes are levied after October 1, 2004, on the value as of December 31, 2004. Collections are made in 2005. Tangible personal property assessments are 25 percent of true value.

NOTE 7 - PROPERTY TAXES (Continued)

The full tax rate for all County operations for the year ended December 31, 2005, was $6.50 per $1,000 of assessed value. The assessed values of real and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real property assessed valuation	$ 182,537,020
Public utility property assessed valuation	46,571,620
Tangible personal property assessed valuation	23,939,580
Total	$ 253,048,220

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 1. If paid semi-annually, the first payment is due January 1 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established. Tangible personal property taxes for unincorporated and single county businesses are due semi-annually, with the first payment due April 30 and the remainder payable by September 20. Due dates are normally extended an additional 30 days. Amounts paid by multi-county taxpayers are due September 20. In 2005, each business was eligible to receive a $10,000 exemption in assessed value that was reimbursed by the state.

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes, and outstanding delinquencies that are measurable as of December 31, 2005, and for which there is an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2005 operations. The receivable is, therefore, offset by a credit to deferred revenue in the governmental funds. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue, while the remainder of the receivable has been deferred.

NOTE 8 – PERMISSIVE SALES AND USE TAX

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. Proceeds of the tax are credited to the General Fund. Sales and use tax revenue in 2005 amounted to $1,205,139.

A receivable is recognized at year-end for amounts that will be received from sales which occurred during 2005. On a full accrual basis, the full amount of the receivable is recognized as revenue. On a modified accrual basis, the amount of the receivable that will be received outside of the available period is deferred.

NOTE 9 - RECEIVABLES

Receivables at December 31, 2005, primarily 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
Local Government	$101,800
Local Government Revenue Assistance	39,900
Homestead and Rollback	43,000
Motor Vehicle License Tax	545,800
Motor Vehicle Gas Tax	1,177,900
Public Assistance Over/Under	341,552
Mental Retardation TCM/CAFS	76,267
Other Intergovernmental Receivables	183,845
Grand Total Intergovernmental Receivable	$2,510,064

The Community Development Block Grant Special Revenue Fund reflects loans receivable of $322,187. 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 percent. These loans are to be repaid over the next nine years. The amount not scheduled for collection during the subsequent year is $292,481.

NOTE 10 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005, was as follows:

		Balance 1/1/05	Additions	Disposals	Balance 12/31/05
Governmental Activities					
Nondepreciable:					
Land	$	40,580	-	-	40,580
Depreciable:					
Infrastructure		1,875,454	1,430,251	-	3,305,705
Buildings and improvements		2,488,689	106,579	-	2,595,268
Vehicles and equipment		3,582,317	438,335	-	4,020,652
Subtotal		7,946,460	1,975,165	-	9,921,625
Totals at historical cost		7,987,040	1,975,165	-	9,962,205
Less accumulated depreciation:					
Infrastructure		(185,559)	(180,278)	-	(365,837)
Buildings and improvements		(1,153,283)	(59,664)	-	(1,212,947)
Vehicles and equipment		(2,795,422)	(275,955)	-	(3,071,377)
Total accumulated depreciation		(4,134,264)	(515,897)	-	(4,650,161)
Capital assets, net	$	3,852,776	1,459,268	-	5,312,044

NOTE 10 – CAPITAL ASSETS (Continued)

		Balance 1/1/05	Additions	Disposals	Balance 12/31/05
Business-Type Activities					
Depreciable:					
Buildings and improvements	$	1,208,246	-	-	1,208,246
Vehicles and equipment		24,942	-	-	24,942
Totals at historical cost		1,233,188	-	-	1,233,188
Less accumulated depreciation:					
Buildings and improvements		(887,943)	(49,984)	-	(937,927)
Vehicles and equipment		(24,942)	-	-	(24,942)
Total accumulated depreciation		(912,885)	(49,984)	-	(962,869)
Capital assets, net	$	320,303	(49,984)	-	270,319

Depreciation expense was charged to governmental functions as follows:

Public safety	$	184,678
Public works		220,928
Health		23,054
Human services		77,411
Other		9,826
Total depreciation expense	$	515,897

NOTE 11 - DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

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

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The County's contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003, were approximately $974,000, $843,000, and $841,000 respectively; approximately 92 percent has been contributed for 2005 and 100 percent for 2004 and 2003. Contributions to the member-directed plan for 2005 were $88 made by the County and $55 made by the plan members.

State Teachers Retirement System

Certified teachers employed by the school for the Mental Retarded/Developmentally Disabled participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site 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 10.5 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.

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

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

For year ended December 31, 2005, 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 2004, 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% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the DB Plan for the fiscal years ended December 31, 2005, 2004, and 2003, were approximately $40,000, $36,000, and $46,000 respectively; 100 percent has been contributed for fiscal years 2005, 2004, and 2003. There were no contributions to the DC and Combined Plans for fiscal year 2005.

NOTE 12 - POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit 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. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight 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.

The number of active contributing participants in the traditional and combined plans was 376,109. The County's actual contributions for 2005 which were used to fund postemployment benefits were approximately $250,000. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

available) were $10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $29.5 billion and $18.7 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. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which allow additional funds to be allocated to the health care plan.

State Teachers Retirement System

The Mental Retardation and Developmental Disabilities Board provides comprehensive health care benefits 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 Systems based on authority granted by State statute. The system is funded on a pay-as-you-go basis.

STRS retirees who participate in the DB or Combined Plans and their 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. All 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. The Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the County, this amount equaled approximately $2,860 for 2005.

STRS pays health care benefits from the Health Care Stability Fund. At June 30, 2005, the balance in the Fund was $3.3 billion. For the year ended June 30, 2005, net health care costs paid by STRS Ohio were $254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

NOTE 13 – OTHER EMPLOYEE BENEFITS

Compensated Absences

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 from twenty-five to fifty percent of accumulated, unused sick leave. As of December 31, 2005 the liability for compensated absences was $486,631 for the entire County.

NOTE 14 - 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. During 2005, the County contracted with the County Risk Sharing Authority, Inc. (CORSA), an insurance purchasing pool, (see Note 1), for liability, auto, and crime insurance. CORSA, a non-profit corporation sponsored by the County Commissioners of Ohio, was created to provide affordable liability, property,

NOTE 14 - RISK MANAGEMENT (Continued)

casualty, and crime insurance coverage for its members and was established May 12, 1987. Coverage provided by the program and applicable deductibles are as follows:

	Coverage	Deductible
General Liability	$1,000,000 each occurrence	$2,500
Law Enforcement Liability	1,000,000 each occurrence	2,500
Automobile Liability	1,000,000 each occurrence	2,500
Errors and Omissions Liability	1,000,000/1,000,000	2,500
Property Damage Liability	83,569,787	2,500
Equipment Breakdown	100,000,000	2,500
Crime	1,000,000	2,500
Stop Gap Liability	1,000,000	2,500
Medical Professional Liability	1,000,000	2,500
Bridges	2,570,140	2,500

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

For 2005 the County participated in the County Commissioners Association of Ohio Workers' Compensation Group Plan (Plan), an insurance purchasing pool (see Note 1). 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 which 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 15 - LONG-TERM DEBT

Changes in long-term obligations during 2005 were as follows:

Governmental activities		Balance at 1/1/05	Increases	Decreases	Balance at 12/31/05	Due Within One Year
General Obligation Bonds:						
1998 Senior Center, 4.75%	$	276,027	-	10,200	265,827	10,600
Total		276,027	-	10,200	265,827	10,600
Compensated absences payable		379,555	394,069	379,555	394,069	285,610
	$	655,582	394,069	389,755	659,896	296,210

Business-type activities		Balance at 1/1/05	Increases	Decreases	Balance at 12/31/05	Due Within One Year
Revenue Bonds:						
1995 Care Center Imp., 5.95%	$	305,000	-	20,000	285,000	20,000
2002 Care Center Imp., 5.15%		669,197	-	60,000	609,197	60,000
		974,197	-	80,000	894,197	80,000
Compensated absences payable		91,258	92,562	91,258	92,562	76,571
	$	1,065,455	92,562	171,258	986,759	156,571

General obligation bonds are direct obligations of the County for which its full faith and credit are pledged for repayment and will be repaid from the Debt Service Fund. The final maturity date of the Senior Center Bonds is December 1, 2022.

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

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

As of December 31, 2005, the County's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was $5,019,699.

NOTE 15 - LONG-TERM DEBT (Continued)

Principal and interest requirements to retire the County's outstanding obligations at December 31, 2005, were:

General Obligation Bonds:

		Principal	Interest	Total
2006	$	10,600	14,735	25,335
2007		11,100	14,231	25,331
2008		11,700	13,704	25,404
2009		12,200	13,148	25,348
2010		12,800	12,569	25,369
2011-2015		73,600	53,135	126,735
2016-2020		92,600	33,931	126,531
2021-2024		41,227	10,029	51,256
	$	265,827	165,482	431,309

Revenue Bonds:

		Principal	Interest	Total
2006	$	80,000	45,145	125,145
2007		80,000	42,154	122,154
2008		75,000	39,016	114,016
2009		75,000	35,078	110,078
2010		50,000	31,141	81,141
2011-2015		315,000	108,339	423,339
2016-2020		165,000	44,064	209,064
2021-2024		54,197	5,406	59,603
	$	894,197	350,343	1,244,540

A summary of the note transactions for the year ended December 31, 2005, follows:

	Balance, 1/1/05	Issued	Retired	Balance, 12/31/05
Governmental Activities:				
Sheriff Loan, 4.4%	$ 21,502	$ -	$ 21,502	$ -
Anticipation Note, 4.4%	129,958	-	129,958	-
Engineer Loan, 4.15%	99,087	-	99,087	-
CCW Fund 4.4%	6,900	-	400	6,500
Total Governmental Activities	$ 257,447	$ -	$ 250,947	$ 6,500

NOTE 15 - LONG-TERM DEBT (Continued)

All of the notes are backed by the full faith and credit of the County. The CCW Fund will mature in 2006.

NOTE 16 – CONTINGENT LIABILITIES

FEDERAL AND STATE GRANTS

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

LITIGATION

The County is currently party to pending litigation seeking damages and/or injunctive relief as confirmed by the County Prosecutor. The possible outcome and effect on the financial statements cannot be determined at this time.

NOTE 17 – FOOD STAMPS

The County's Department of Job and Family Services distributed through contracting issuance centers, federal food stamps to entitled recipients within Monroe County. The receipt and issuance of these stamps have the characteristics of federal "grants"; 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. The County's Department of Job and Family Services had on hand for distribution $212 of federal food stamps at December 31, 2005.

NOTE 18 – MONROE ADULT CRAFTS ORGANIZATION, INC.

NATURE OF OPERATIONS

Monroe Adult Craft Organization (M.A.C.O.) is a non-profit corporation formed under the laws of the State of Ohio.

M.A.C.O. is a state chartered adult workshop for handicapped persons, affiliated with the Monroe County Board of MR/DD. Individuals who experience one or more developmental disabilities are provided a work setting with levels of assistance to help them become a productive member of the community.

M.A.C.O. offers a variety of daily employment activities, assessment services, job placement services for individuals in community employment, communication skill development, habilitation and recreational activities. Workshop employees are provided bus transportation by the Monroe County Board of MR/DD.

M.A.C.O. work contracts provide productive and beneficial employment. With supervision, the employees learn job and daily living skills while earning wages and valuable independent work experience.

NOTE 18 – MONROE ADULT CRAFTS ORGANIZATION, INC. (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

M.A.C.O. prepares its financial statements using the accrual basis of accounting.

Property and Equipment

All property and equipment are recorded at cost with depreciation provided on the straight line method over estimated useful lives of 5 to 10 years. Items with a cost of $500 and a useful life of 5 years are capitalized and depreciated.

Cash and Cash Equivalents

M.A.C.O. considers all investments with an original maturity date of three months or less to be cash equivalents.

Estimates

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

Inventory

Inventory is stated at cost.

Financial Statement Presentation

M.A.C.O. prepares its financial statements in accordance with Statement of Financial Accounting Standards (SFAS) No. 117 "Financial Statement of Not-for-Profit Organizations". Under SFAS No. 117, M.A.C.O. is required to present information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. All of M.A.C.O.'s assets are unrestricted.

TAX STATUS

M.A.C.O. is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code.

EXPENSES BY FUNCTIONAL CLASSIFICATIONS

Expenses were incurred for:

	2005
Program Services	$163,800
Management and General	7,451
	$171,251

NOTE 18 – MONROE ADULT CRAFTS ORGANIZATION, INC. (Continued)

DONATED FACILITIES

M.A.C.O. occupies a 3,310 square foot building owned and maintained by the Monroe County Board of MR/DD. M.A.C.O. does not pay rent or insurance and all utilities for the building, with the exception of telephone, are paid by the Monroe County Board of MR/DD. The value of the rent and utilities are estimated based on square footage of the building at current market rates.

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MONROE COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2005

FEDERAL GRANTOR *Pass Through Grantor* Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Noncash Disbursements
U.S. DEPARTMENT OF AGRICULTURE				
Direct Program				
Conservation Reserve Program	N/A	10.069	$1,453	
Passed Through Ohio Department of Education				
Food Donation	N/A	10.550		$320
National School Lunch Program	066142-LLP4-04/05/06	10.555	8,591	
Direct Program				
Watershed Protection and Flood Prevention	N/A	10.904	72,997	
Total U.S. Department of Agriculture			83,041	320
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	495,000	
	B-F-04-052-1	14.228	91,000	
	B-C-03-052-1	14.228	58,596	
	B-X-03-052-1	14.228	207,691	
	B-P-03-052-1	14.228	300,000	
Total Community Development Block Grant/State's Program			1,152,287	
HOME Investment Partnerships Program	B-C-03-052-2	14.239	175,789	
Total U.S. Department of Housing and Urban Development			1,328,076	
U.S. DEPARTMENT OF LABOR				
Passed Through Ohio Valley Employment Resource (Workforce Investment Act Area 15)				
Workforce Investment Act (WIA) Cluster:				
WIA Adult Program	N/A	17.258	132,914	
WIA Youth Activities	N/A	17.259	112,412	
WIA Dislocated Workers	N/A	17.260	1,531,306	
Total Workforce Investment Act Cluster			1,776,632	
Unemployment Insurance	N/A	17.225	51,421	
Total U.S. Department of Labor			1,828,053	
U.S. DEPARTMENT OF TRANSPORTATION				
Passed Through Ohio Department of Transportation				
Highway Planning and Construction	PID 79378	20.205	186,577	
	PID 80082	20.205	148,266	
Total Highway Planning and Construction			334,843	
Formula Grants for Other Than Urbanized Areas	RPT 4056-024-051	20.509	101,676	
	RPT 0056-024-052	20.509	41,668	
Total Formula Grants for Other Than Urbanized Areas			143,344	
Total U.S. Department of Transportation			478,187	
ELECTION ASSISTANCE COMMISSION				
Passed Through Ohio Secretary of State				
Election Reform Payments	N/A	39.011	7,754	
Total Election Assistance Commission			7,754	

MONROE COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)

FEDERAL GRANTOR *Pass Through Grantor* Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Noncash Disbursements
U.S. DEPARTMENT OF EDUCATION *Passed Through Ohio Department of Education*				
Special Education Cluster				
Special Education - Grants to States	066142-6BSF-2005	84.027	23,898	
	066142-6BSF-2006	84.027	11,170	
Total Special Education - Grants to States			35,068	
Special Education - Preschool Grants	066142-PGS1-2005	84.173	8,942	
	066142-PGS1-2006	84.173	3,492	
Total Special Education - Preschool Grants			12,434	
Total Special Education Cluster			47,502	
State Grants for Innovative Programs	066142-C2S1-2005	84.298	166	
	066142-C2S1-2006	84.298	85	
Total State Grants for Innovative Programs			251	
Total U.S. Department of Education			47,753	
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	13,683	
State Children's Insurance Program	N/A	93.767	39	
Medical Assistance Program	CAFS	93.778	15,295	
	TCM	93.778	6,426	
Total Medical Assistance Program			21,721	
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	23,684	
Special Programs for the Aging - Title III, Part C - Nutrition Services	N/A	93.045	42,788	
Nutrition Services Incentive Program	N/A	93.053	5,118	
Total Aging Cluster			71,590	
Low-Income Home Energy Assistance	N/A	93.568	1,348	
Medical Assistance Program (Passport)	N/A	93.778	34,425	
Passed through Ohio Department of Jobs and Family Services				
Promoting Safe and Stable Families	N/A	93.556	11,778	
Child Welfare Services - State Grants	N/A	93.645	9,249	
Child Abuse and Neglect State Grants	N/A	93.669	1,195	
Chafee Foster Care Independence Program	N/A	93.674	1,200	
Total U.S. Department of Health and Human Services			166,228	

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)

FEDERAL GRANTOR / *Pass Through Grantor* / Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Noncash Disbursements
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed Through Ohio Public Safety				
Homeland Security Cluster:				
Emergency Management Performance Grants	2005-EM-T5-0001	97.042	16,013	
State Homeland Security Program	2005-GE-T5-0001	97.073	27,047	
Total Homeland Security Cluster			43,060	
State Domestic Preparedness Equipment Support Program	2003-MUP-30015	97.004	47,708	
	2004-GE-T4-0025	97.004	86,966	
Total State Domestic Preparedness Equipment Support Program			134,674	
Disaster Grants - Public Assistance	FEMA-1556-DR	97.036	11,862	
	FEMA-1556-DR	97.036	13,244	
	FEMA-1556-DR	97.036	378,237	
	FEMA-1580-DR	97.036	153,876	
	FEMA-1484-DR	97.036	39,484	
Total Disaster Grants - Public Assistance			596,703	
Total U.S. Department of Homeland Security			774,437	
Total Federal Awards Expenditures			**$4,713,529**	**$320**

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, 2005

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 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 – FOOD DONATION

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

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

NOTE D – MATCHING REQUIREMENTS

Certain Federal programs require the County to 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.

Auditor of State
Betty Montgomery

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Monroe County, Ohio (the County), as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 8, 2006, wherein we noted the County implemented GASB Statement No. 40. 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*. Other auditors audited the financial statements of the Monroe Adult Crafts Organization, Inc., a discretely presented component unit of the County, in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards* and accordingly this report does not extend to that component unit.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the County's management dated December 8, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the County's management dated December 8, 2006, we reported other matters related to noncompliance we deemed immaterial.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
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We intend this report solely for the information and use of management, the Board of County Commissioners, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Betty Montgomery

Betty Montgomery
Auditor of State

December 8, 2006

Auditor of State
Betty Montgomery

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, 2005. 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, the 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, 2005. 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 2005-001.

Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted matters 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 8, 2006.

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

Betty Montgomery

Betty Montgomery
Auditor of State

December 8, 2006

MONROE COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2005

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unqualified
(d)(1)(ii)	**Were there any material control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material non-compliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material internal control weakness conditions reported for major federal programs?**	No
(d)(1)(iv)	**Were there any other reportable internal control weakness conditions 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 Section .510?**	Yes
(d)(1)(vii)	**Major Programs (list):**	Workforce Investment Act (WIA) Cluster – C.F.D.A #17.258, #17,259, #17.260; and Highway Planning and Construction Grant – C.F.D.A. #20.205
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	Yes

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

There were no findings to report related to the financial statements required to be reported in accordance with GAGAS.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2005-001
CFDA Title and Number	Workforce Investment Act (WIA) Cluster - CFDA #14.258, 17.259 and 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 Citation – Cash Management

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. 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 for FY05 and FY06. 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. The WIA fund would carry a balance throughout the year anywhere from approximately $115,000 to $347,000 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. It was assumed that as long as funds were in an interest bearing account that they were in compliance with this requirement. Monroe Works is implementing a new process for drawing funds so that they will only maintain actual cash needed for the period. (Responsible contact person – Janet Henthorn, WIA Director; Anticipated completion date – December 31, 2006)

MONROE COUNTY

SCHEDULE OF PRIOR AUDIT FINDING
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***:
2004-1	Ohio Rev. Code Section 133.10(A) – unpaid tax anticipation notes extending beyond fiscal year end.	Yes	N/A.

Auditor of State
Betty Montgomery

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FINANCIAL CONDITION

MONROE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 4, 2007