MONROE COUNTY, OHIO

Basic Financial Statements

Year Ended December 31, 2003

With

Independent Auditors' Report

Auditor of State
Betty Montgomery

Board of Commissioners
Monroe County
101 N. Main Street
Woodsfield, Ohio 43792

We have reviewed the Independent Auditor's Report of Monroe County prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2003 to December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

September 29, 2004

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MONROE COUNTY, OHIO

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

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Monroe County, Ohio:

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Monroe County, Ohio (the County) as of and for the year ended December 31, 2003, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Monroe County, Ohio as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General, Public Assistance, Maintenance, and Mental Retardation funds for the year then ended in conformity with accounting principles generally accepted in the United States of America

As described in Note 3 to the basic financial statements, the County adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for States and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurements of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of January 1, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the County. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
July 20, 2004

The discussion and analysis of Monroe County's financial performance provides an overall review of the County's financial activities for the year ended December 31, 2003. 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 2003 are as follows:

- Net assets of governmental activities increased $1,758,573.

- General revenues for governmental activities accounted for $7,383,781 in revenue or almost 100 percent of all general revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions for governmental activities accounted for $7,100,186 or 72 percent of total program specific revenues of $9,847,556.

- The County had $13,028,262 in expenses related to governmental activities; only $7,403,054 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues of $7,383,781 were adequate to provide for these programs.

- The general fund, one of the major funds, had $3,385,725 in revenues and $3,368,780 in expenditures. The general fund's balance decreased $117,391. General fund revenue decreased due to a decrease in revenue from taxes.

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 2003?" 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 business-type activity is the Care Center.
- Component Units – The County includes the Monroe County Airport Authority (Airport Authority) and Monroe Adult Crafts Organization, Inc. (MACO Workshop) in its report. Although legally separate, these component units are important because they are fiscally dependent on the County.

Reporting the County's Most Significant Funds

Fund Financial Statements

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

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

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 2003 compared to 2002.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Assets						
Current and Other Assets	$ 8,292,277	$ 7,946,374	$ 1,331,996	$ 1,554,430	$ 9,624,273	$ 9,500,804
Capital Assets, net	3,069,822	1,695,589	349,039	377,789	3,418,861	2,073,378
Total Assets	11,362,099	9,641,963	1,681,035	1,932,219	13,043,134	11,574,182
Liabilities						
Current and Other Liabilities	2,174,311	2,197,390	300,469	156,813	2,474,780	2,354,203
Long-Term Liabilities	697,926	713,284	1,133,720	1,199,474	1,831,646	1,912,758
Total Liabilities	2,872,237	2,910,674	1,434,189	1,356,287	4,306,426	4,266,961
Net Assets						
Invested in Capital Assets Net of Debt	2,782,367	1,362,006	24,039	37,789	2,806,406	1,399,795
Restricted	114,550	428,168	562,377	562,377	676,927	990,545
Unrestricted	5,592,945	4,941,115	(339,570)	(24,234)	5,253,375	4,916,881
Total Net Assets	$ 8,489,862	$ 6,731,289	$ 246,846	$ 575,932	$ 8,736,708	$ 7,307,221

Total assets increased $1,468,952. Capital assets increased $1,345,483 due to repairs to the county courthouse dome and other capital asset purchases. Total liabilities increased $39,465.

Table 2 shows the changes in net assets for the year ended December 31, 2003. Since this is the first year the County has prepared financial statements following GASB Statement 34, revenue and expense comparisons to the year ended 2002 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Table 2
Change in Net Assets

	Governmental Activities	Business-Type Activities	Total
	2003	2003	2003
Revenues			
Program Revenues:			
Charges for Services and Sales	$ 602,509	$ 2,444,502	$ 3,047,011
Operating Grants, Contributions, Interest	6,497,677	-	6,497,677
Capital Grants and Contributions	302,868	-	302,868
General Revenues:			
Property Taxes	1,502,910	-	1,502,910
Sales Taxes	2,651,445	-	2,651,445
Grants and Entitlements	1,156,999	-	1,156,999
Payment in Lieu of Taxes	395,949	-	395,949
Investment Earnings	61,497	-	61,497
Miscellaneous	1,614,981	6,781	1,621,762
Total Revenues	14,786,835	2,451,283	17,238,118
Expenses			
Legislative and Executive	1,325,085	-	1,325,085
Judicial	496,327	-	496,327
Public Safety	1,873,871	-	1,873,871
Public Works	2,339,553	-	2,339,553
Health	1,397,371	-	1,397,371
Human Services	4,692,548	-	4,692,548
Economic Development	293,847	-	293,847
Other	579,955	-	579,955
Interest and Fiscal Charges	29,705	-	29,705
Care Center	-	2,780,369	2,780,631
Total Expenses	13,028,262	2,780,369	15,808,631
Change in Net Assets	$ 1,758,573	$ (329,086)	$ 1,429,487

In 2003, 38 percent of the County's revenues were from operating grants, contributions, and interest and 24 percent were from property and sales taxes.

Program revenues accounted for 57 percent of the County's revenues in fiscal year 2003. These revenues consist of various federal and state grants and charges for services and sales at the Care Center.

Human services comprise approximately 30 percent of total program expenses. Care center expenses comprise approximately 18 percent of total program expenses.

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 $14,036,687 and expenditures of $13,831,825. As apparent, the County's revenues exceeded spending during the 2003 year. There were no significant changes in the County's major funds from the previous year, which include the general public assistance, maintenance, and mental retardation fund.

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 2003, the County amended its general fund appropriations, and the budgetary statement reflects both the original and final appropriated amounts. For the general fund, original budgeted revenues were approximately $3,417,000, and final budgeted revenues were approximately $3,642,000. Very conservative revenue projections at the beginning of the year played out as actual revenues were very close to projections. Original budgeted expenditures were approximately $3,056,000 and final budgeted expenditures were approximately $3,459,000. Public safety cost proved to be higher than anticipated in the original budget.

Capital Assets and Debt Administration

Capital Assets

At the end of the year 2003, the County's primary government had $3,418,861 invested in capital assets. U.S. generally accepted accounting principles require that general depreciable capital assets be carried at cost, or estimated historical cost, and depreciated over the remaining useful lives of the capital assets. Infrastructure assets purchased during 2003 are capitalized by the County. The capitalization threshold for the County is $10,000 for the year 2003. Table 3 shows year 2003 balances compared to 2002.

Table 3
Capital Assets at December 31

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Capital Not Depreciated:						
Land	$ 40,580	$ 40,580	$ -	$ -	$ 40,580	$ 40,580
Total Capital Assets Not Depreciated	40,580	40,580	-	-	40,580	40,580
Capital Being Depreciated:						
Infrastructure	1,171,613	-	-	-	1,171,613	-
Buildings and Improvements	2,487,329	2,257,329	1,208,246	1,208,246	3,695,575	3,465,575
Vehicles and Equipment	3,117,228	2,815,182	24,942	24,942	3,142,170	2,840,124
Total Capital Assets Being Depreciated	6,776,170	5,072,511	1,233,188	1,233,188	8,009,358	6,305,699
Accumulated Depreciation	(3,746,928)	(3,417,512)	(884,149)	(855,399)	(4,631,077)	(4,272,911)
Total Capital Assets	$ 3,069,762	$ 1,695,579	$ 349,039	$ 377,789	$ 3,418,861	$ 2,073,368

See the Note 8 for more detailed information of the County's capital assets.

Debt

At December 31, 2003, the County had $1,831,646 in long-term obligations, $342,430 of which are due within one year.

Table 4
Outstanding Debt at December 31

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
General Obligation Bonds	$ 285,727	$ 329,927	$ -	$ -	$ 285,727	$ 329,927
Revenue Bonds	-	-	1,048,262	1,117,327	1,048,262	1,117,327
Capital Lease Payable	1,728	3,656	-	-	1,728	3,656
Compensated Absences	410,471	379,701	85,458	82,147	495,929	461,848
Total	$ 697,926	$ 713,284	$ 1,133,720	$ 1,199,474	$ 1,831,646	$ 1,912,758

See the Note 14 for more detailed information of the County's outstanding debt.

Economic Factors

The County is currently holding its own financially. As we see the Federal and State economy slow down, the County is also in the midst of an economic slowdown with our whole economy. Department heads have been made aware 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, 2003

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	MACO Workshop	Airport Authority
Assets					
Equity in Pooled Cash and Cash Equivalents	$ 4,059,238	$ 1,260,696	$ 5,319,934	$ 45,070	$ 7,238
Taxes Receivable	1,424,610	-	1,424,610	-	-
Accrued Interest Receivable	1,713	-	1,713	-	-
Accounts Receivable	166,522	60,838	227,360	6,051	-
Intergovernmental Receivable	2,056,466	-	2,056,466	-	46,190
Prepaid Items	22,465	462	22,927	340	-
Sales Taxes Receivable	180,500	-	180,500	-	-
Loans Receivable	346,763	-	346,763	-	-
Inventory Held for Resale	-	-	-	48,006	-
Materials and Supplies Inventory	34,000	10,000	44,000	-	-
Nondepreciable Capital Assets	40,580	-	40,580	-	-
Depreciable Capital Assets, net	3,029,242	349,039	3,378,281	19,348	-
Total Assets	11,362,099	1,681,035	13,043,134	118,815	53,428
Liabilities					
Accounts Payable	275,882	77,811	353,693	5,665	48,572
Accrued Wages and Benefits	284,812	87,535	372,347	2,952	
Intergovernmental Payable	99,471	135,123	234,594	-	-
Accrued Interest Payable	12,209	-	12,209	-	-
Deferred Revenue	1,273,644	-	1,273,644	-	-
Notes Payable	228,293	-	228,293	-	-
Long-Term Liabilities:					
Due Within One Year	208,192	134,238	342,430	-	-
Due In More Than One Year	489,734	999,482	1,489,216	-	-
Total Liabilities	2,872,237	1,434,189	4,306,426	8,617	48,572
Net Assets					
Invested in Capital Assets, Net of Related Debt	2,782,367	24,039	2,806,406	19,348	-
Restricted for:					
Capital Projects	114,547	562,377	676,924	-	-
Debt Service	3	-	3	-	-
Unrestricted (Deficit)	5,592,945	(339,570)	5,253,375	90,850	4,856
Total Net Assets	$ 8,489,862	$ 246,846	$ 8,736,708	$ 110,198	$ 4,856

See accompanying notes to the basic financial statements

MONROE COUNTY, OHIO

Statement of Activities

For the Year Ended December 31, 2003

		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	$ 1,325,085	$ 295,517	$ -	$ -
Judicial	496,327	158,435	-	-
Public Safety	1,873,871	39,694	1,657,819	-
Public Works	2,339,553	72,819	70,341	302,868
Health	1,397,371	4,025	670,323	-
Human Services	4,692,548	18,869	3,932,381	-
Economic Development	293,847	3,432	166,513	-
Other	579,955	9,718	300	-
Interest and Fiscal Charges	29,705	-	-	-
Total Governmental Activities	13,028,262	602,509	6,497,677	302,868
Business-Type Activities:				
Care Center	2,780,369	2,444,502	-	-
Total Business-Type Activities	2,780,369	2,444,502	-	-
Total - Primary Government	$ 15,808,631	$ 3,047,011	$ 6,497,677	$ 302,868
Component Units				
MACO Workshop	$ 161,510	$ 149,296	$ -	$ -
Airport Authority	141,964	-	228,255	-
Totals - Component Units	$ 303,474	$ 149,296	$ 228,255	$ -

General Revenues

Property Taxes Levied for:

General Purposes

Special Revenue

Sales Tax

Grants and Entitlements not Restricted to Specific Programs

Payment in Lieu of Taxes

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year - (See Note 3)

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	MACO Workshop	Airport Authority
$ (1,029,568)	$ -	$ (1,029,568)	$ -	$ -
(337,892)	-	(337,892)	-	-
(176,358)	-	(176,358)	-	-
(1,893,525)	-	(1,893,525)	-	-
(723,023)	-	(723,023)	-	-
(741,298)	-	(741,298)	-	-
(123,902)	-	(123,902)	-	-
(569,937)	-	(569,937)	-	-
(29,705)	-	(29,705)	-	-
(5,625,208)	-	(5,625,208)	-	-
-	(335,867)	(335,867)	-	-
-	(335,867)	(335,867)	-	-
$ (5,625,208)	$ (335,867)	$ (5,961,075)	$ -	$ -
$ -	$ -	$ -	$ (12,214)	$ -
-	-	-	-	86,291
$ -	$ -	$ -	$ (12,214)	$ 86,291
$ 791,618	$ -	$ 791,618	$ -	$ -
711,292	-	711,292	-	-
2,651,445	-	2,651,445	-	-
1,156,999	-	1,156,999	-	-
395,949	-	395,949	-	-
61,497	-	61,497	-	-
1,614,981	6,781	1,621,762	6,780	-
7,383,781	6,781	7,390,562	6,780	-
1,758,573	(329,086)	1,429,487	(5,434)	86,291
6,731,289	575,932	7,307,221	115,632	(81,435)
$ 8,489,862	$ 246,846	$ 8,736,708	$ 110,198	$ 4,856

MONROE COUNTY, OHIO

Balance Sheet

Governmental Funds

December 31, 2003

	General	Public Assistance	Maintenance	Mental Retardation
Assets				
Equity in Pooled Cash and Cash Equivalents	$ 125,818	$ 716,104	$ 644,404	$ 191,314
Accrued Interest Receivable	1,713	-	-	-
Taxes Receivable	852,226	-	-	527,117
Accounts Receivable	99,778	6,551	699	400
Interfund Receivable	25,299	-	-	-
Intergovernmental Receivable	236,687	178,368	1,275,766	22,188
Prepaid Items	7,604	1,096	475	1,084
Sales Taxes Receivable	180,500	-	-	-
Materials and Supplies Inventory	4,000	7,000	22,200	-
Loans Receivable	-	-	-	-
Total Assets	$ 1,533,625	$ 909,119	$ 1,943,544	$ 742,103
Liabilities				
Accounts Payable	$ 43,273	$ 66,483	$ 17,230	$ 9,025
Accrued Wages and Benefits	97,175	36,078	88,951	42,393
Interfund Payable	-	-	-	-
Due to Other Governments	13,219	5,649	11,493	6,156
Deferred Revenue	1,032,664	-	887,407	527,117
Notes Payable	133,384	-	69,605	-
Total Liabilities	1,319,715	108,210	1,074,686	584,691
Fund Balances				
Reserved for Encumbrances	-	-	-	2,629
Reserved for Inventory	4,000	7,000	22,200	-
Reserved for Loans Receivable	-	-	-	-
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	209,910	-	-	-
Special Revenue Funds	-	793,909	846,658	154,783
Capital Project Funds	-	-	-	-
Debt Service Funds	-	-	-	-
Total Fund Balances (Deficits)	213,910	800,909	868,858	157,412
Total Liabilities and Fund Balances	$ 1,533,625	$ 909,119	$ 1,943,544	$ 742,103

See accompanying notes to the basic financial statements

Other Governmental Funds	Total Governmental Funds
$ 2,381,598	$ 4,059,238
-	1,713
45,267	1,424,610
59,095	166,523
30,000	55,299
343,457	2,056,466
12,206	22,465
-	180,500
800	34,000
346,762	346,762
$ 3,219,185	$ 8,347,576
$ 139,868	$ 275,879
53,010	317,607
55,299	55,299
62,954	99,471
131,207	2,578,395
25,304	228,293
467,642	3,554,944
16,959	19,588
800	34,000
346,762	346,762
-	209,910
2,272,472	4,067,822
3	3
114,547	114,547
2,751,543	4,792,632
$ 3,219,185	$ 8,347,576

MONROE COUNTY, OHIO

Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2003

Total Governmental Funds Balances		$4,792,632
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		3,069,822
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property and Other Taxes		1,304,751
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due		(12,209)
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	$ (285,727)	
Compensated Absences	(377,679)	
Capital Lease Payable	(1,728)	
Total		(665,134)
Net assets of governmental activities		$8,489,862

MONROE COUNTY, OHIO

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended December 31, 2003

	General	Public Assistance	Maintenance	Mental Retardation	Other Governmental Funds
Revenues					
Taxes	$1,850,270	$ -	$ 1,579,147	$ 432,923	$ 271,216
Intergovernmental	333,984	2,087,731	1,037,141	695,427	3,493,745
Interest	58,067	-	-	-	2,004
Licenses and Permits	1,962	-	-	-	61,360
Fines and Forfeitures	146,056	-	7,650	-	1,200
Rentals	10,682	-	-	-	13,165
Charges for Services	371,059	-	48,548	-	159,020
Other	613,645	94,377	24,870	35,417	606,021
Total Revenues	3,385,725	2,182,108	2,697,356	1,163,767	4,607,731
Expenditures					
Current:					
General Government:					
Legislative and Executive	1,067,058	-	-	-	243,808
Judicial	416,623	-	-	-	80,010
Public Safety	1,188,077	-	-	-	565,194
Public Works	-	-	2,166,650	-	69,054
Health	-	-	-	1,294,598	77,909
Human Services	126,021	2,336,099	-	-	2,239,526
Economic Development	-	-	-	-	294,240
Other	568,850	-	-	-	11,104
Capital Outlay	-	-	47,047	-	968,006
Debt Service:					
Principal Retirement	1,928	-	-	-	44,200
Interest and Fiscal Charges	223	-	-	-	25,600
Total Expenditures	3,368,780	2,336,099	2,213,697	1,294,598	4,618,651
Excess of Revenues Over (Under) Expenditures	16,945	(153,991)	483,659	(130,831)	(10,920)
Other Financing Sources (Uses)					
Transfers In	214,734	274,232	281,001	-	786,495
Transfers Out	(349,070)	(10,690)	(327,632)	-	(869,070)
Total Other Financing Sources (Uses)	(134,336)	263,542	(46,631)	-	(82,575)
Net Change in Fund Balances	(117,391)	109,551	437,028	(130,831)	(93,495)
Fund Balances (Deficits) Beginning of Year	331,301	691,358	431,830	288,243	2,845,038
Fund Balances (Deficits) End of Year	$213,910	$ 800,909	$ 868,858	$ 157,412	$ 2,751,543

See accompanying notes to the basic financial statements

Total Governmental Funds
$ 4,133,556
7,648,028
60,071
63,322
154,906
23,847
578,627
1,374,330
14,036,687
1,310,866
496,633
1,753,271
2,235,704
1,372,507
4,701,646
294,240
579,954
1,015,053
46,128
25,823
13,831,825
204,862
1,556,462
(1,556,462)
-
204,862
4,587,770
$ 4,792,632

MONROE COUNTY, OHIO

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

For the Year Ended December 31, 2003

Net Change in Fund Balances - Total Governmental Funds		$204,862
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 Outlay	1,703,648	
Depreciation	(329,415)	
Total		1,374,233
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	150,631	
Settlement Fees	23,881	
Total		174,512
Repayment of bond principal and capital lease expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		46,128
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(3,882)
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.		
Compensated Absences		(37,280)
Change in Net Assets of Governmental Activities		$1,758,573

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, 2003

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	
Revenues:				
Property taxes	$ 874,744	$ 777,972	$ 777,972	$ -
Sales taxes	1,275,125	1,098,936	1,098,936	-
Intergovernmental	336,829	347,084	347,084	-
Charges for services	409,717	373,763	373,763	-
Fines and forfeitures	40,200	147,617	147,617	-
Licenses and permits	2,350	1,837	1,837	-
Investment income	120,000	68,273	68,273	-
Rental income	5,060	10,320	10,320	-
Other	352,909	816,556	816,556	-
Total revenues	3,416,934	3,642,358	3,642,358	-
Expenditures:				
Current:				
General government:				
Legislative and executive	1,079,233	1,074,097	1,060,234	13,863
Judicial	437,459	442,940	420,963	21,977
Public safety	1,019,201	1,253,946	1,233,823	20,123
Human services	127,006	126,931	115,513	11,418
Other	392,730	553,240	540,832	12,408
Debt service:				
Principal retirement	-	7,453	7,453	-
Total expenditures	3,055,629	3,458,607	3,378,818	79,789
Excess of revenues over (under) expenditures	361,305	183,751	263,540	79,789
Other financing sources (uses):				
Transfers in	-	56,036	56,036	-
Transfers out	(216,435)	(350,617)	(378,475)	(27,858)
Advances in	10,000	66,464	66,464	-
Advances out	(60,482)	(60,482)	(60,482)	-
Total other financing sources (uses)	(266,917)	(288,599)	(316,457)	(27,858)
Excess of revenues and other sources over (under) expenditures and other (uses)	94,388	(104,848)	(52,917)	51,931
Fund balance, beginning of year	223,110	223,110	223,110	-
Prior year encumbrances appropriated	28,611	28,611	28,611	-
Fund balance, end of year	$ 346,109	$ 146,873	$ 198,804	$ 51,931

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, 2003

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final
Revenues:				
Intergovernmental	$ 1,650,000	$ 1,857,952	$ 1,857,952	$ -
Other	250,000	375,825	375,825	-
Total revenues	1,900,000	2,233,777	2,233,777	-
Expenditures:				
Current:				
Human services	1,837,260	2,556,260	2,336,754	219,506
Total expenditures	1,837,260	2,556,260	2,336,754	219,506
Excess of revenues over (under) expenditures	62,740	(322,483)	(102,977)	219,506
Other financing sources (uses):				
Transfers in	-	101,388	101,388	-
Transfers out	-	(10,690)	(10,690)	-
Total other financing sources (uses)	-	90,698	90,698	-
Excess of revenues and other sources over (under) expenditures and other (uses)	62,740	(231,785)	(12,279)	219,506
Fund balance, beginning of year	691,358	691,358	691,358	-
Prior year encumbrances appropriated	-	-	-	-
Fund balance, end of year	$ 754,098	$ 459,573	$ 679,079	$ 219,506

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, 2003

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	
Revenues:				
Sales taxes	$ 1,300,000	$ 1,524,662	$ 1,524,662	$ -
Intergovernmental	950,000	1,035,518	1,035,518	-
Charges for services	15,000	49,055	49,055	-
Fines and forfeitures	9,500	7,951	7,951	-
Other	100	24,691	24,691	-
Total revenues	2,274,600	2,641,877	2,641,877	-
Expenditures:				
Current:				
General government:				
Public works	2,026,214	2,482,242	2,351,026	131,216
Capital outlay	20,000	47,047	47,047	-
Total expenditures	2,046,214	2,529,289	2,398,073	131,216
Excess of revenues over (under) expenditures	228,386	112,588	243,804	131,216
Other financing sources (uses):				
Transfers in	75,000	225,000	225,000	-
Transfers out	(73,000)	(327,632)	(327,632)	-
Advances in	-	40,000	40,000	-
Advances out	-	(40,000)	(40,000)	-
Total other financing sources (uses)	2,000	(102,632)	(102,632)	-
Excess of revenues and other sources over (under) expenditures and other (uses)	230,386	9,956	141,172	131,216
Fund balance, beginning of year	431,830	431,830	431,830	-
Prior year encumbrances appropriated	53,293	53,293	53,293	-
Fund balance, end of year	$ 715,509	$ 495,079	$ 626,295	$ 131,216

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, 2003

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final
Revenues:				
Property taxes	$ 546,000	$ 432,922	$ 432,922	$ -
Intergovernmental	703,000	673,317	673,317	-
Other	31,500	35,017	35,017	-
Total revenues	1,280,500	1,141,256	1,141,256	-
Expenditures:				
Current:				
General government:				
Health	1,280,500	1,390,796	1,351,953	38,843
Total expenditures	1,280,500	1,390,796	1,351,953	38,843
Excess of revenues over (under) expenditures	-	(249,540)	(210,697)	38,843
Fund balance, beginning of year	288,243	288,243	288,243	-
Prior year encumbrances appropriated	-	-	-	-
Fund balance, end of year	$ 288,243	$ 38,703	$ 77,546	$ 38,843

See accompanying notes to the basic financial statements

MONROE COUNTY, OHIO

Statement of Net Assets
Proprietary Funds
December 31, 2003

	Business Type Activity
	Care Center
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	$1,260,696
Receivables:	
Accounts	60,838
Materials and Supplies Inventory	10,000
Prepaid Items	462
Total Current Assets	1,331,996
Noncurrent Assets:	
Capital Assets:	
Depreciable Capital Assets, Net	349,039
Total Noncurrent Assets	349,039
Total Assets	1,681,035
Liabilities	
Current Liabilities:	
Accounts Payable	77,811
Accrued Wages and Benefits	87,535
Intergovernmental Payable	135,123
General Obligation Bonds Payable	75,000
Total Current Liabilities	375,469
Long-Term Liabilities:	
General Obligation Bonds Payable (net of current portion)	973,262
Compensated Absences	85,458
Total Long-Term Liabilities	1,058,720
Total Liabilities	1,434,189
Net Assets	
Invested in Capital Assets, Net of Related Debt	24,039
Restricted for:	
Capital Projects	562,377
Unrestricted	(339,570)
Total Net Assets	$246,846

See accompanying notes to the basic financial statements

MONROE COUNTY, OHIO

Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2003

	Business Type Activity
	Care Center
Operating Revenues	
Charges for Services	$ 2,444,502
Miscellaneous	6,780
Total Operating Revenues	2,451,282
Operating Expenses	
Personnel Services	1,711,204
Contractual Services	696,803
Materials and Supplies	247,332
Other	41,896
Depreciation	28,750
Total Operating Expenses	2,725,985
Operating Income (Loss)	(274,703)
Non-Operating Revenues (Expenses)	
Interest and Fiscal Charges	(54,383)
Total Non-Operating Revenues (Expenses)	(54,383)
Change in Net Assets	(329,086)
Net Assets Beginning of Year	575,932
Net Assets End of Year	$ 246,846

See accompanying notes to the basic financial statements

MONROE COUNTY, OHIO

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2003

	Business Type Activity
	Care Center
Cash Flows from Operating Activities	
Cash Received from Customers	$ 2,558,591
Cash Payments to Employees for Services and Benefits	(1,697,352)
Cash Payments for Goods and Services	(851,192)
Net Cash Provided by (Used in) Operating Activities	10,047
Cash Flows from Capital and Related Financing Activities	
Principal Paid on Bonds	(70,000)
Interest Paid on Bonds	(55,172)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(125,172)
Net Increase (Decrease) in Cash and Cash Equivalents	(115,125)
Cash and Cash Equivalents Beginning of Year	1,375,821
Cash and Cash Equivalents End of Year	$ 1,260,696
Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating Income (Loss)	$ (274,703)
Adjustments:	
Depreciation	28,750
Change in Assets and Liabilities:	
Accounts Receivable	14,674
Intergovernmental Receivable	92,645
Prepayments	(10)
Accounts Payable	27,176
Accrued Wages and Benefits	10,541
Compensated Absences Payable	3,311
Intergovernmental Payable	107,663
Net Cash Provided by (Used in) Operating Activities	$ 10,047

See accompanying notes to the basic financial statements

MONROE COUNTY, OHIO

Statement of Fiduciary Net Assets
Agency Funds
December 31, 2003

		Total
Assets		
Equity Pooled in Cash and Cash Equivalents	$	768,761
Cash and Cash Equivalents in Segregated Accounts		107,112
Real and Other Taxes Receivable		8,895,621
Special Assessments Receivable		12,982
Due from Other Funds		274,875
Due from Other Governments		1,112,633
Total Assets	$	11,171,984
Liabilities		
Due to Other Funds	$	274,875
Due to Other Governments		10,733,369
Deposits Held and Due to Others		7,139
Undistributed Money		156,601
Total Liabilities	$	11,171,984

See accompanying notes to the basic financial statements

NOTE 1 – REPORTING ENTITY AND BASIS OF PRESENTATION

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

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

REPORTING ENTITY

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

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

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

DISCRETELY PRESENTED COMPONENT UNITS

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

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

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

JOINTLY GOVERNED ORGANIZATIONS

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

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

The District is governed and operated through three groups. An eighteen member Board of Directors, comprised of three Commissioners from each county, is responsible for the District's financial matters. The District's sole revenue source is a waste disposal fee for in-District and out-of-District waste. Although the County contributed monies to the District at the time of its creation, no contributions were paid by the County in 2003, 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.

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

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

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

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

Belmont, Harrison, and Monroe Counties Cluster ("Cluster") – The Cluster provides services to multi-need youth in Monroe, Belmont, and Harrison Counties. Members of the Cluster include the Belmont, Harrison, and Monroe Counties Mental Health and Recovery Board, the Children Services Board, the Belmont, Harrison, Monroe Crossroads Counseling Services, Student Services, Belmont-Harrison Juvenile District, the Superintendent of Public Instruction, and the Directors of Youth Services, Human Services, and Mental Retardation and Developmental Disabilities. The operation of the Cluster is controlled by an Advisory Committee, which consists of a representative from each agency. The Cluster is not dependent upon the County for its continued existence, no debt exists, and the County does not have an equity interest in, or a financial responsibility for, the Cluster.

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

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

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

RELATED ORGANIZATIONS

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

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

POOLS

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

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

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

County Commissioners Association of Ohio Workers' Compensation Group Plan ("Plan") - The County is participating in a group-rating plan for Workers' Compensation as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners Association of Ohio Service Corporation (CCAOSC) was established through the County Commissioners Association of Ohio (CCAO) as a group purchasing pool. A Group Executive Committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services and general management fees, determining ongoing eligibility of each participant, and performing any other acts and functions which may be delegated to it by the participating employers. The Group Executive Committee consists of seven members. Two members are the President and Treasurer of CCAOSC; the remaining five members are representatives of the participants. These five members are elected for the ensuing year by the participants at the meeting held in December each year. No participant can have more than one member of the Group Executive Committee in any year, and each elected member shall be a County Commissioner. The degree of control exercised by any participating government is limited to its representation on the Board. The Governing Board is composed of at least one County Commissioner from each of the participating counties. The Governing Board annually elects officers who include a Chairman and Vice-Chairman. The Governing Board must approve the expenses and investment of funds by the officers unless specific limits have been set by the Governing Board to permit otherwise.

EXCLUDED POTENTIAL COMPONENT UNITS

As counties are structured in Ohio, the County Auditor and County Treasurer, respectively, serve as the fiscal officer and custodian of funds for various agencies, boards, and commissions. As a fiscal officer, the Auditor certifies the availability of cash and appropriations prior to the processing of payments and purchases. As the custodian of all public funds, the Treasurer invests public moneys held on deposit in the County Treasury. In the case of the separate agencies, boards, and commissions listed below, the County serves as fiscal agent and custodian, but is not accountable for their operations. Accordingly, the activities of the following districts and entities are presented as agency funds within the basic financial statements.

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

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

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

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

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

BASIS OF PRESENTATION

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

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

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

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

FUND ACCOUNTING

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

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

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

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

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

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

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: sales tax, interest, federal and state grants and subsidies, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fees and rentals.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2003, but which were levied to finance 2004 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BUDGETARY PROCESS

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

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

Tax Budget

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

Estimated Resources

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

Appropriations

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances

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

Lapsing of Appropriations

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

CASH AND CASH EQUIVALENTS

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

During 2003, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2003.

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

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

PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond December 31, 2003, 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVENTORY

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

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

CAPITAL ASSETS

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

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

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

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

Depreciation for capital assets is determined by allocating the cost of the fixed assets over the estimated useful lives of the assets on the straight-line basis. The estimated useful lives are as follows:

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

COMPENSATED ABSENCES

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

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the County's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements. A liability for compensated absences is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

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

INTERFUND BALANCES

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

RESERVATION OF FUND BALANCES

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

NET ASSETS

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

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

OPERATING REVENUES AND EXPENSES

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INTERFUND ACTIVITY

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

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

ACCOUNTING ESTIMATES

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

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

CHANGES IN ACCOUNTING PRINCIPLES

For 2003, the County has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," GASB Statement No. 38, "Certain Financial Statement Note Disclosures," GASB Statement No. 37, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus-an amendment of GASB Statements No. 21 and No. 34," and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

GASB 34 creates new basic financial statements for reporting the County's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the County's programs between business-type and governmental activities. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at December 31, 2002, caused by the conversion to the accrual basis of accounting.

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE (Continued)

The transition from governmental fund balance to net assets of the governmental activities is presented as follows:

	General	Public Assistance	Maintenance	Mental Retardation	Nonmajor	Total
Fund Balance, December 31, 2002	$ 331,301	$ 691,358	$ 431,830	$ 288,243	$ 2,845,038	$ 4,587,770
GASB 34 adjustments:						
Capital assets						1,695,589
Revenue recognition						1,132,511
Capital lease payable						(3,656)
Accrued interest on bonds payable						(10,050)
Bonds payable						(329,927)
Compensated absences payable						(340,938)
Governmental activities net assets, December 31, 2002						$ 6,731,289

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 Balances: Budget and Actual (Non-GAAP Budget Basis) are presented on the basic financial statements for the General Fund and Major Special Revenue Funds.

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

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

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

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

NOTE 4 - BUDGET TO GAAP RECONCILIATION (Continued)

The adjustments necessary to convert the results of operations for the year ended December 31, 2003, on the GAAP basis to the budget basis are as follows:

NET CHANGE IN FUND BALANCE
GENERAL AND MAJOR SPECIAL REVENUE FUNDS

	General Fund	Public Assistance	Maintenance	Mental Retardation
GAAP basis	$ (117,391)	$ 109,551	$ 437,028	$ (130,831)
Adjustments:				
Revenue accruals	256,633	51,671	(55,478)	(22,509)
Expenditure accruals	(10,038)	(656)	(78,156)	(54,730)
Advances	5,982	-	-	-
Transfers	(188,103)	(172,845)	(56,001)	-
Encumbrances	-	-	(106,221)	(2,627)
Budget basis	$ (52,917)	$ (12,279)	$ 141,172	$ (210,697)

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by the federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements 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 deposit or savings accounts, including, but not limited to, passbook accounts;

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio; and,
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within 5 years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through eligible dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand

At year-end, the County had $67,350 in undeposited cash on hand which is included on the Statement of Net Assets as part of "Equity in Pooled Cash and Cash Equivalents."

Deposits

At year-end, the carrying amount of the County's deposits was $484,609 and the bank balance was $1,034,297. Of the bank balance, $545,253 was covered by federal depository insurance. The remaining amounts are considered uninsured and uncollaterialized.

Investments

The County's investments are required to be categorized to give an indication of the level of risk assumed by the County at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the County's name. STAR Ohio is unclassified since it is not evidenced by securities that exist in physical or book entry form. At December 31, 2003, the County's investment in STAR Ohio had a fair value of $5,643,848.

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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

	Cash and Cash Equivalents	Investments
GASB Statement 9	$ 6,195,807	$ -
Investments:		
Cash on hand	(67,350)	-
STAR Ohio	(5,643,848)	5,643,848
GASB Statement 3	$ 484,609	$ 5,643,848

Component Units

The County has two component units, the Airport Authority and the MACO Workshop. At December 31, 2003, the carrying amount and bank balance of the Airport Authority's deposits was $7,238 and was fully insured by federal deposit insurance. Also, at December 31, 2003, the MACO Workshop's carrying amount of cash was $45,070 and the bank balance was $44,997, which was fully insured by federal deposit insurance.

NOTE 6 - INTERFUND ASSETS/LIABILITIES

Advances between funds are presented as interfund receivables/payables at December 31, 2003. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting, and (3) payments between funds are made. All are expected to be paid within one year.

	Receivable	Payable
General Fund	$ 25,299	$ -
Nonmajor Governmental Funds	30,000	55,299
Total	$ 55,299	$ 55,299

NOTE 7 - PROPERTY TAXES

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

Property tax revenue received during 2003 for real and public utility property taxes represents collections of 2002 taxes. Property tax payments received during 2003 for tangible personal property (other than public utility property) is for 2003 taxes.

2003 real property taxes are levied after October 1, 2003, on the assessed value as of January 1, 2003, the lien date. Assessed values are established by state law at 35 percent of appraised market value. 2003 real property taxes are collected in and intended to finance 2004.

NOTE 7 - PROPERTY TAXES (Continued)

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2003 public utility property taxes became a lien December 31, 2002, are levied after October 1, 2003, and are collected in 2004 with real property taxes.

2003 tangible personal property taxes are levied after October 1, 2002, on the value as of December 31, 2002. Collections are made in 2003. Tangible personal property assessments are 25 percent of true value.

The full tax rate for all County operations for the year ended December 31, 2003, was $6.50 per $1,000 of assessed value. The assessed values of real and tangible personal property upon which 2003 property tax receipts were based are as follows:

Real property assessed valuation	$ 152,660,190
Public utility property assessed valuation	41,967,880
Tangible personal property assessed valuation	61,893,209
Total	$ 256,521,279

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 1. If paid semi-annually, the first payment is due January 1 with the remainder payable by June 20. Tangible personal property taxes for unincorporated and single county businesses are due semi-annually, with the first payment due April 30 and the remainder payable by September 20. Due dates are normally extended an additional 30 days. Amounts paid by multi-county taxpayers are due September 20. In 2003, 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, 2003, 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 2003 operations. The receivable is, therefore, offset by a credit to deferred revenue.

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2003, was as follows:

	Balance, 01/01/03	Additions	Deletions	Balance, 12/31/03
Governmental activities:				
Land	$ 40,580	$ -	$ -	$ 40,580
Capital assets being depreciated:				
Infrastructure	-	1,171,613	-	1,171,613
Buildings and improvements	2,257,329	230,000	-	2,487,329
Vehicles and equipment	2,815,182	302,046	-	3,117,228
Governmental activities Capital assets	5,113,091	1,703,659	-	6,816,750
Accumulated depreciation:				
Infrastructure	-	(51,911)	-	(51,911)
Building and improvements	(1,066,396)	(54,278)	-	(1,120,674)
Vehicles and equipment	(2,351,116)	(223,227)	-	(2,574,343)
Total accumulated depreciation	(3,417,512)	(329,416)	-	(3,746,928)
Governmental activities capital, net	$ 1,695,579	$ 1,374,243	$ -	$ 3,069,822

	Balance, 01/01/03	Additions	Deletions	Balance, 12/31/03
Business-type activities:				
Capital assets being depreciated:				
Buildings	$ 1,208,246	$ -	$ -	$ 1,208,246
Equipment	24,942	-	-	24,942
Total capital assets being depreciated	1,233,188	-	-	1,233,188
Accumulated depreciation:				
Buildings	(830,457)	(28,750)	-	(859,207)
Equipment	(24,942)	-	-	(24,942)
Total accumulated Depreciation	(855,399)	(28,750)	-	(884,149)
Business-type activities capital, net	$ 377,789	$ (28,750)	$ -	$ 349,039

Depreciation expense was charged to governmental functions as follows:

Public Safety	$ 159,682
Public Works	822
Health	78,621
Human Services	90,291
Total depreciation expense	$ 329,416

NOTE 9 - DEFINED BENEFIT PENSION PLANS

Public Employees Retirement System

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

A. Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

   1. The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.

   2. The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over 5 years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon.

   3. The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

B. OPERS provides retirement, disability, survivor, and death benefits and annual cost of living adjustments to members of the Traditional Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

C. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code.

D. The Ohio Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2003, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). Separate divisions for law enforcement and public safety exist only within the Traditional Plan. The 2003 member contribution rates were 8.5% for members in classifications other than law enforcement and public safety. Members in the law enforcement classification, which consists generally of sheriffs, deputy sheriffs, and township police, contributed at a rate of 10.1%. Public safety division members contributed at 9.0%. The 2003 employer contribution rate for state employers was 13.31% of covered payroll. For local government employer units, the rate was 13.55% of covered payroll. For both the law enforcement and public safety divisions, the employer contribution rate for 2003 was 16.7%

The County's required contributions to PERS for the years ended December 31, 2003, 2002, and 2001, were approximately $841,000, $820,000, and $810,000, respectively. The full amount has been contributed for 2002 and 2001. Approximately 92 percent has been contributed for 2003 with the remainder being reported as liabilities within the respective funds.

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

State Teachers Retirement System

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

Plan members are required to contribute 9.30 percent of their annual covered salary and the County is required to contribute 14.00 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10.00 percent for members and 14.00 percent for employers. The County's required contributions to STRS for the years ended December 31, 2002, 2001, and 2000, were approximately $46,000, $48,000, and $80,000, respectively; 100% has been contributed for 2003, 100% for 2002, and 100% for 2001

NOTE 10 - POSTEMPLOYMENT BENEFITS

Public Employees Retirement System

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

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

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

   A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The OPERS law enforcement program is separated into two divisions, law enforcement and pubic safety, with separate employee contribution rates and benefits. The 2003 employer contribution rate for state employers was 13.31% of covered payroll, of which 5.00% was used to fund health care for the year. For both the public safety and law enforcement divisions, the 2003 employer rate was 16.70%, and 5.00% was used to fund health care.

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

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

C. Summary of Assumptions:

Actuarial Review
The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2002.

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

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

Investment Return
The investment assumption rate for 2002 was 8.00%.

Active Employee Total Payroll
An annual increase of 4.00%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%.

Health Care
Health care costs were assumed to increase 4.00% annually.

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

At year-end 2003, the number of active contributing participants in the Traditional and Combined Plans totaled 364,881.

$10.0 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2002.

The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $18.7 billion and $8.7 billion, respectively.

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

E. OPERS Board adopts new Health Care "Choices" Plan.

In December 2001, the Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of health care. The Choices Plan will be offered to all persons newly hired in an OPERS covered-position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The plan uses a graded scale from 10 to 30 years to calculate a monthly health care benefit. This is in contrast to the 10-year "cliff" eligibility standard for the present plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The plan will also offer a spending account feature, enabling the benefit recipient to apply his or her allowance toward specific medical expenses, much like a Medical Spending Account.

In response to the adverse investment returns experienced by OPERS from 2000 through 2002 and the continued staggering rate of health care inflation, the OPERS Board, during 2003, considered extending "Choices" type cost cutting measures to all active members and benefit recipients. As of this date, the Board has not determined the exact changes that will be made to the health care plan. However, changes to the plan are expected to be approved by the summer of 2004.

NOTE 11 – OTHER EMPLOYEE BENEFITS

Compensated Absences

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

NOTE 12 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2003, the County contracted with the Buckeye Joint County Self-Insurance Council (a risk sharing pool, see Note 1) for real property, building contents, vehicles, inland marine, crime, boiler and machinery, and general liability coverage. Each member pays a premium for their coverage and the agreement provides that the Council will be self-sustaining through member premiums. The County also maintains crime insurance in the amount of $500,000 each on its food stamp program and on County monies and securities. Finally, the County pays all elected official bonds as required by state statute. Claim payments have not exceeded coverage in the past 3 years. There was no decline in the level of coverage from the prior year.

NOTE 13 - CAPITALIZED LEASES

The County has entered into a capitalized lease for a copier. The asset under capital lease was capitalized in the governmental activities general capital assets at $8,838, which represented the present value of the future minimum lease payments at acquisition. A corresponding liability was recorded in the governmental activities general long-term debt.

The following is a schedule of future minimum lease payments under the capital leases, with the net present value of the minimum lease payments as of December 31, 2003.

	Year Ending December 31	
Minimum lease payments	2004	$ 1,792
Less amount representing interest		64
Present value of minimum lease payments		$ 1,728

NOTE 14 - LONG-TERM DEBT

Changes in long-term obligations during 2003 were as follows:

	Balance, 01/01/03	Increases	Decreases	Balance, 12/31/03	Amounts Due in One Year
Governmental Activities					
General Obligation Bonds:					
1995 Public Assistance, 9.00%	$ 35,000	$ -	$ 35,000	$ -	$ -
1998 Senior Center, 4.75%	294,927	-	9,200	285,727	9,700
Total General Obligation Bonds	329,927	-	44,200	285,727	9,700
Other General Long-term Obligations:					
Capital leases payable	3,656	-	1,928	1,728	1,728
Compensated absences Payable	379,701	30,770	-	410,471	196,764
Total other general long-term obligations	383,357	30,770	1,928	412,199	198,492
Total Governmental Activities	$ 713,284	$ 30,770	$ 46,128	$ 697,926	$ 208,192
Business-type Activities					
Revenue Bonds:					
2002 Care Center Improvement, 4.78%	$ 777,327	$ -	$ 54,065	$ 723,262	$ 55,000
1995 Care Center Improvement, 5.95%	340,000	-	15,000	325,000	20,000
Total Revenue Bonds	1,117,327	-	69,065	1,048,262	75,000
Other Business-type Activities:					
Compensated absences payable	82,147	3,311	-	85,458	59,238
Total Business-type Activities	$ 1,199,474	$ 3,311	$ 69,065	$ 1,133,720	$ 134,238

NOTE 14 - LONG-TERM DEBT (Continued)

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 1995 Public Assistance Bonds and the Senior Center Bonds is June 1, 2028, respectively.

Compensated absences will be paid from the fund from which the person is paid, while the capital leases will be repaid from the fund utilizing the leased asset.

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, 2003, the County's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was $5,013,514.

Principal and interest requirements to retire the County's outstanding obligations at December 31, 2003, were:

	General Obligation Bonds		Revenue Bonds		
	Principal	Interest	Principal	Interest	Totals
2004	$ 9,700	$ 15,680	$ 74,065	$ 51,910	$ 151,355
2005	10,200	15,219	79,065	49,070	153,554
2006	10,600	14,735	79,065	46,080	150,480
2007	11,100	14,231	79,065	43,090	147,486
2008	11,700	13,704	74,065	39,951	139,420
2009-2013	67,100	59,662	300,325	146,311	573,398
2014-2018	84,500	42,144	225,325	69,049	421,018
2019-2023	80,827	18,104	137,287	20,738	256,956
Totals	$ 285,727	$ 193,479	$ 1,048,262	$ 466,199	$ 1,993,667

NOTE 15 – NOTES PAYABLE

A summary of the note transactions for the year ended December 31, 2003, follows:

	Balance, 01/01/03	Issued	Retired	Balance, 12/31/03
Governmental Activities:				
Sheriff Loan, 4.01%	$ -	$ 41,742	$ 6,616	$ 35,126
Anticipation Note, 3.90%	-	113,000	14,742	98,258
MVGT Fund:				
Issue II Loan, 0.00%	37,957	-	12,653	25,304
Engineer Loan, 4.15%	125,606	-	56,001	69,605
Total Governmental Activities	$ 163,563	$ 154,742	$ 90,012	$ 228,293

All of the notes are backed by the full faith and credit of the County. The Issue II loan will mature in the year 2006 and the Engineer loan will mature in the year 2005. The Sheriff loan will mature in 2006, and the Anticipation note matured on December 31, 2003.

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. The County believes all expenditures meet grant qualifications.

LITIGATION

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

NOTE 17 – FOOD STAMPS

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

MONROE COUNTY, OHIO

Schedule of Prior Audit Findings

Year Ended December 31, 2003

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

MONROE COUNTY

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2003

Federal Grantor/Program Title	Federal CFDA Number	Pass-through Entity Number	Expenditures
U.S. Department of Agriculture			
Passed through the Ohio Department of Health:			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	n/a	$ 100,988
Passed through the Buckeye-Hills Hocking Valley Regional Development District:			
Nutritional Services Incentive	10.570	n/a	10,358
Total U.S. Department of Agriculture			111,346
U.S. Department of Housing and Urban Development			
Passed through Ohio Department of Development:			
Community Development Block Grants/State's Programs	14.228	n/a	183,989
Home Investment Partnership Program	14.239	n/a	198,800
Total U.S. Department of Housing and Urban Development			382,789
U.S. Department of Labor			
Passed through Ohio Bureau of Employment Services:			
Job Training Partnership Act	17.246	n/a	178,060
Passed through Ohio Department of Jobs and Family Services:			
WIA Cluster:			
Workforce Investment Act Adult Program	17.258	n/a	188,397
Workforce Investment Act Youth Activities	17.259	n/a	34,604
Workforce Investment Act Dislocated Workers	17.260	n/a	85,524
Total WIA Cluster			308,525
Total U.S. Department of Labor			486,585
U.S. Department of Transportation			
Passed through Ohio Department of Transportation:			
Airport Improvement Program	20.106	n/a	86,518
Formula Grants for Other Than Urbanized Areas	20.509	n/a	101,921
Total U.S. Department of Transportation			188,439
U.S. Department of Education			
Passed through the Ohio Department of Education:			
Special Education Cluster:			
Special Education - Grants to States	84.027	n/a	18,739
Special Education - Preschool Grants	84.173	n/a	6,365
Total Special Education Cluster			25,104
Special Education - Grant for Infants and Families with Disabilities	84.181	n/a	24,113
Innovative Education Program Strategies	84.298	n/a	387
Total U.S. Department of Education			49,604

MONROE COUNTY

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2003

Federal Grantor/Program Title	Federal CFDA Number	Pass-through Entity Number	Expenditures
U.S. Department of Health and Human Services			
Passed through the 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	93.044	n/a	56,306
Special Programs for the Aging - Title III, Part C - Nutritional Services	93.045	n/a	42,706
Total Aging Cluster			99,012
National Family Caregiver Support	93.052	n/a	767
Passed through Ohio Department of Health:			
Immunization Grants	93.268	n/a	15,650
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	n/a	55,673
Social Services Block Grant	93.667	n/a	16,950
Passed through Ohio Department of Jobs and Family Services:			
Low-Income Home Energy Assistance	93.568	n/a	3,139
Passed through the Ohio Department of Mental Retardation and Developmental Disabilities:			
Medical Assistance Program	93.778	n/a	87,193
Total U.S. Department of Health and Human Services			278,384
U.S. Department of Homeland Security			
Passed through Ohio Emergency Management Agency:			
State Domestic Preparedness Equipment Support Program	97.004	n/a	53,835
Public Assistance Grants	97.036	n/a	150,000
Emergency Management Performance Grants	97.042	n/a	17,792
State and Local All Hazards Emergency Operations Planning	97.051	n/a	18,769
Total U.S. Department of Homeland Security			240,396
TOTAL FEDERAL FINANCIAL ASSISTANCE			$ 1,737,543

MONROE COUNTY

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2003

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

Note A - Significant Accounting Policies

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

Note B - Community Development Block Grant (CDBG) Revolving Loan Programs

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

These loans are collateralized by mortgages on real estate and liens on business equipment. At December 31, 2003, the gross amount of loans outstanding under this program was approximately $357,000.

Note C - Matching Requirements

Certain Federal programs require that the County contribute non-federal funds (matching funds) to support the Federally-funded programs. The County has complied with the matching requirements and the expenditure of matching funds is not included on the Schedule.

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

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

To the Board of Commissioners
Monroe County, Ohio:

We have audited the financial statements of governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Monroe County, Ohio (the County) as of and for the year ended December 31, 2003, which collectively comprise the County's basic financial statements and have issued our report thereon dated July 20, 2004 wherein we noted the County implemented Governmental Accounting Standards Board Statements Nos. 34, 37, 38 as well as Governmental Accounting Standards Board Interpretation No. 6. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2003-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the County, in a separate letter dated July 20, 2004.

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
July 20, 2004

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

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

To the Board of Commissioners
Monroe County, Ohio:

Compliance

We have audited the compliance of Monroe County, Ohio (the County), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-*133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2003. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003.

Internal Control Over Compliance

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

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

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
July 20, 2004

MONROE COUNTY, OHIO

Schedule of Findings and Questioned Costs

Year Ended December 31, 2003

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

CFDA 17.258, 17.259 & 17.260 – Workforce Investment Act Cluster
CFDA 14.228 – Community Development Block Grant/State's Program

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

Section II - Financial Statement Findings

2003-1 Tax Anticipation Notes

Ohio Revised Code Section 133.10(A) stipulates that notes issued in anticipation of current property tax revenues must mature no later than 6 months after issue, and in no case may they mature after the end of the fiscal year. As of December 31, 2003, the County had $98,258 in anticipation notes which remained unpaid beyond the end of the fiscal year. The notes were refinanced on January 3, 2004.

Section III - Federal Award Findings and Questioned Costs

None.

Auditor of State
Betty Montgomery

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
OCTOBER 12, 2004