FINANCIAL CONDITION
MONROE COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2012

Dave Yost • Auditor of State

MONROE COUNTY

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INDEPENDENT AUDITOR'S REPORT

Monroe County
101 North Main Street
Woodsfield, Ohio 43793

To the Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Monroe County, Ohio (the County), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the County's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Monroe County, Ohio, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows, thereof and the respective budgetary comparisons for the General, Public Assistance, Maintenance, and Developmental Disabilities Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 3 to the financial statements, during the year ended December, 31, 2012, the County adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No. 65, *Items Previously Reported as Assets and Liabilities.* We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary Information

Our audit was conducted to opine on the County's basic financial statements taken as a whole.

The Federal Awards Expenditures Schedule (the Schedule) presents additional analysis as required by the 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 financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2013, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State

Columbus, Ohio

August 26, 2013

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Management's Discussion and Analysis (MD&A) provides the reader with a narrative overview and analysis of Monroe County's (the County) financial activities for the year ended December 31, 2012. The intent of this discussion and analysis is to look at the County's financial performance as a whole. The MD&A should be read in conjunction with the County's basic financial statements and notes to the basic financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

- The County's total net position increased by $1,097,784 from the total net position at the beginning of the year 2012.
- At the end of the current year, the County reported a net position for governmental activities of $27,166,499. Of this amount, only $2,540,532 is unrestricted and may be used to meet the County's ongoing obligations.
- The County had $15,673,125 in expenses related to governmental activities; $12,328,022 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of $4,610,537 were adequate enough to provide for these programs.
- At the end of the current year, the County's governmental funds reported a combined ending fund balance of $7,692,807, an increase of $1,340,849 from the prior year. Of this amount, $379,470 is non-spendable, $5,261,389 is restricted, $585,692 is assigned, and $1,466,256 is unassigned and available for spending on behalf of its citizens, as defined in Governmental Accounting Standards Board Statement (GASB) No. 54.
- At the end of the current year, unassigned fund balance for the General Fund was $1,471,813 which represents 31 percent of total General Fund expenditures.

Using This Annual Financial Report

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

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

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

Government-Wide Financial Statements

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

Statement of Net Position

While this document contains information about the funds used by the County to provide services to our citizens, the view of the County as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The Statement of Net Position and the Statement of Activities answer this question.

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

Government-Wide Financial Analysis

Table 1 provides a summary of the County's net position for 2012 compared to 2011:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets:						
Current and Other Assets	$12,064,963	$11,447,322	$571,426	$775,400	$12,636,389	$12,222,722
Capital Assets, Net	18,190,598	17,520,158	2,171,473	2,255,200	20,362,071	19,775,358
Total Assets	30,255,561	28,967,480	2,742,899	3,030,600	32,998,460	31,998,080
Liabilities:						
Current and Other Liabilities	1,043,182	1,192,191	323,322	325,402	1,366,504	1,517,593
Long-Term Liabilities	747,805	755,934	2,168,935	2,286,906	2,916,740	3,042,840
Total Liabilities	1,790,987	1,948,125	2,492,257	2,612,308	4,283,244	4,560,433
Deferred Infows of Resources:						
Property Taxes not intended to Finance Current Year Operations	1,298,075	1,118,290	0	0	1,298,075	1,118,290
Net Position:						
Net Investment in Capital Assets	17,817,238	17,236,335	185,204	144,815	18,002,442	17,381,150
Restricted	6,808,729	7,510,481	0	0	6,808,729	7,510,481
Unrestricted	2,540,532	1,154,249	65,438	273,477	2,605,970	1,427,726
Total Net Position	$27,166,499	$25,901,065	$250,642	$418,292	$27,417,141	$26,319,357

As noted earlier, the County's net position, when reviewed over time, may serve as a useful indicator of the County's financial position. In the case of the County, assets exceeded liabilities and deferred inflows of resources by $27,417,141 ($27,166,499 in governmental activities and $250,642 in business-type activities) as of December 31, 2012. The change in net position, an increase of $1,097,784, represents approximately 4 percent increase from the prior year's balance. This immaterial change shows that the County has stabilized the programs that produce the above balances.

A portion of the County's net position, $18,002,442 or 65.6 percent, reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The County uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. By far the next largest portion of the County's net position, $6,808,729 or 24.8 percent, represents resources that are subject to restrictions on how they can be used. The balance of unrestricted net position (9.6 percent) is to be used to meet the County's ongoing obligations to citizens and creditors.

Table 2 shows the changes in net position for 2012, compared to the changes in net position for 2011:

Table 2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues						
Charges for Services	$3,466,906	$2,058,832	$3,837,995	$3,738,773	$7,304,901	$5,797,605
Operating Grants, Contributions, and Interest	7,597,190	9,024,075	0	0	7,597,190	9,024,075
Capital Grants and Contributions	1,263,926	478,013	0	0	1,263,926	478,013
Total Program Revenues	12,328,022	11,560,920	3,837,995	3,738,773	16,166,017	15,299,693
General Revenues						
Property Taxes	1,734,591	1,930,554	0	0	1,734,591	1,930,554
Permissive Sales Taxes	1,961,452	1,819,917	0	0	1,961,452	1,819,917
Intergovernmental	567,498	499,068	0	0	567,498	499,068
Investment Earnings	116,217	13,877	0	0	116,217	13,877
Gain on Sale of Capital Assets	25,900	0	0	0	25,900	0
Miscellaneous	204,879	419,418	2,991	3,353	207,870	422,771
Total General Revenues	4,610,537	4,682,834	2,991	3,353	4,613,528	4,686,187
Total Revenues	16,938,559	16,243,754	3,840,986	3,742,126	20,779,545	19,985,880
Program Expenses						
General Government						
Legislative and Executive	1,965,626	1,891,491	0	0	1,965,626	1,891,491
Judicial	1,031,831	730,004	0	0	1,031,831	730,004
Public Safety	2,171,983	2,131,467	0	0	2,171,983	2,131,467
Public Works	4,407,686	4,168,100	0	0	4,407,686	4,168,100
Health	2,431,401	2,118,583	0	0	2,431,401	2,118,583
Human Services	3,023,334	3,180,162	0	0	3,023,334	3,180,162
Economic Development	625,358	412,784	0	0	625,358	412,784
Interest and Fiscal Charges	15,906	15,273	0	0	15,906	15,273
Care Center	0	0	4,008,636	3,876,400	4,008,636	3,876,400
Total Expenses	15,673,125	14,647,864	4,008,636	3,876,400	19,681,761	18,524,264
Change in Net Position	1,265,434	1,595,890	(167,650)	(134,274)	1,097,784	1,461,616
Net Position Beginning of Year	25,901,065	24,305,175	418,292	623,612	26,319,357	24,928,787
Prior Period Adjustment	0	0	0	(71,046)	0	(71,046)
Net Position End of Year	$27,166,499	$25,901,065	$250,642	$418,292	$27,417,141	$26,319,357

Governmental Activities

Total revenues of the governmental activities increased by $694,805 during 2012. The County's direct charges to users of governmental services made up $3,466,906 or 20.47 percent of total governmental revenues. Operating grants, contributions, and restricted interest were the largest program revenues, accounting for $7,597,190 or 44.8 percent of total revenues for governmental activities and also had the largest change from last year – a decrease of $1,426,885. Capital grants and contributions reflects an increase from the prior year in the amount of $785,913. The major recipients of intergovernmental revenues were the Public Assistance, Maintenance, Developmental Disabilities, and Community Development Block Grant Special Revenue Funds.

Permissive sales tax revenues account for $1,961,452 or 11.6 percent of total governmental revenues. Another major component of general governmental revenues was property tax revenues, which accounted for $1,734,591 or 10 percent of total governmental revenues. The County's human services programs accounted for $3,023,334, or 19.3 percent of total expenses for governmental activities. Other major program expenses for governmental activities include public works programs, which accounted for $4,407,686 or 28.1 percent of total expenses, and health programs, which accounted for $2,431,401 or 15.5 percent of total expenses. The largest change in expenses occurred in the health program, an increase of $312,818. This increase results from mostly from the County's developmental disabilities activities.

Business-Type Activities

The net position for business-type activities minimally decreased $167,650 during 2012. Charges for services were the only program revenue, accounting for $3,837,995 or 99 percent of total business-type revenues.

Table 3, for governmental activities, indicates the total cost of services and the net cost of services for 2012, as compared to 2011. The Statement of Activities reflects the cost of program services and the charges for services, grants, contributions, and interest offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues, unrestricted intergovernmental revenues, and unrestricted interest earnings.

Table 3
Governmental Activities

	Total Cost of Services 2012	Net Cost (Revenue) of Services 2012	Total Cost of Services 2011	Net Cost (Revenue) of Services 2011
General Government				
Legislative and Executive	$1,965,626	$120,141	$1,891,491	$784,177
Judicial	1,031,831	559,257	730,004	407,017
Public Safety	2,171,983	949,255	2,131,467	998,933
Public Works	4,407,686	(248,737)	4,168,100	(313,708)
Health	2,431,401	1,381,525	2,118,583	1,113,115
Human Services	3,023,334	30,926	3,180,162	257,319
Economic Development	625,358	536,830	412,784	(175,182)
Interest and Fiscal Charges	15,906	15,906	15,273	15,273
Total Expenses	$15,673,125	$3,345,103	$14,647,864	$3,086,944

Charges for services, operating and capital grants, contributions, and interest of $12,328,022, or 78.6 percent of the total costs of services, were received and used to fund the governmental activities expenses of the County. The remaining $3,345,103 in governmental expenses is funded by property and permissive sales taxes, non-restricted intergovernmental revenues, interest, and miscellaneous revenues.

Financial Analysis of County Funds

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

Governmental Funds - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. Governmental Accounting Standards Board (GASB) Statement No. 54 established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of resources reported in governmental funds. In particular, unassigned fund balance may serve as a useful measure of the County's net resources available for spending at the end of the year.

As of December 31, 2012, the County's governmental funds reported a combined ending fund balance of $7,692,807, an increase of $1,340,849 in comparison with the prior year. Of that total ending fund balance, $379,470 is non-spendable, $5,261,389 is restricted, $585,692 is assigned, and $1,466,256 is unassigned, as defined in GASB Statement No. 54. Of the amount restricted, $172,260 is restricted for court corrections, $1,421,966 is restricted for roads and bridges, $447,088 is restricted for human services, $1,904,911 is restricted for developmental disabilities, $52,329 is restricted for health, $183,131 is restricted for community development, $406,780 is restricted for public safety, and $672,924 is restricted for other purposes.

The General Fund is the primary operating fund of the County. At the end of 2012, unassigned fund balance was $1,471,813, while total fund balance was $2,193,931. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 31.46 percent to total General Fund expenditures, while total fund balance represents 46.9 percent of that same amount. The fund balance increased from 2011 by $1,562,200. Management is working hard to maintain expenditures and other financing uses at or below fixed revenue sources.

At the end of 2012, the Public Assistance Special Revenue Fund had a fund balance of $199,730, in comparison to a fund balance of $142,302 at the end of 2011. This increase in fund balance is a reflection of management trying to improve this fund and maintain the balance at a positive amount. State funding has a direct effect on the operations of this fund as management has to confine expenditures to the current revenue streams.

The fund balance of the Maintenance Special Revenue Fund at December 31, 2012 was $1,559,475, a decrease of $83,307 from the previous year. This minimal change is a direct result of this department matching projected revenue streams and spending levels. Due to this conservative budgeting, this department was able to maintain an adequate fund balance for carryover into the next year.

The fund balance of the Developmental Disabilities Special Revenue Fund at December 31, 2012 was $1,910,127, a decrease of $25,592. This modest change is the result of increased expenditures within this department.

Proprietary Funds - The County maintains one proprietary fund, the Care Center Enterprise Fund. Enterprise funds are used to report functions presented as business-type activities on the government-wide financial statements. As of December 31, 2012, net position for the County's enterprise fund was $250,642. Of that total, $65,438 represents unrestricted net position that is available for spending at the County's discretion.

General Fund Budgetary Highlights

The County's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. By State statute, the Board of County Commissioners adopts a temporary operating budget for the County prior to the first day of January. The Board of County Commissioners adopts a permanent annual operating budget for the County prior to the first day of April.

During the course of 2012, the County amended its General Fund estimated revenues and appropriations, and the budgetary statements reflect both the original and final appropriation amounts. For the General Fund, original budgeted revenues were $4,277,820 and final budgeted revenues were $4,945,870. Original budgeted expenditures were $4,373,171 and final budgeted expenditures were $5,181,114. The ending fund balance was $1,214,525 higher than the final budgeted amount of $148,989.

Capital Assets and Debt Administration

Capital Assets - The County's capital assets for governmental and business-type activities as of December 31, 2012 were $20,362,071 (net of accumulated depreciation). This includes land, infrastructure, buildings and improvements, and vehicles and equipment. Table 4 provides a comparison of capital assets as of the end of 2011 and 2012. In addition, Note 10 (Capital Assets) provides capital asset activity during 2012:

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	$56,927	$56,927	$0	$0	$56,927	$56,927
Infrastructure	13,564,148	12,948,059	0	0	13,564,148	12,948,059
Buildings and Improvements	1,663,013	1,735,422	2,171,473	2,255,200	3,834,486	3,990,622
Vehicles and Equipment	2,906,510	2,779,750	0	0	2,906,510	2,779,750
Total Capital Assets	$18,190,598	$17,520,158	$2,171,473	$2,255,200	$20,362,071	$19,775,358

Long-Term Debt - As of December 31, 2012, the County had total debt outstanding of $2,426,728; $373,360 in governmental activities and $2,053,368 in business-type activities. Table 5 outlines the long-term debt held by the County during 2012 and 2011:

Table 5
Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds	$180,027	$194,027	$2,053,368	$2,181,431	$2,233,395	$2,375,458
Capital Leases	193,333	89,796	0	0	193,333	89,796
Total Long-Term Debt	$373,360	$283,823	$2,053,368	$2,181,431	$2,426,728	$2,465,254

In addition to the above debt, the County's long-term obligations include compensated absences. Additional information on the County's long-term debt can be found in Note 16 of this report. The County's total unvoted legal debt margin at December 31, 2012, is $2,630,476.

Economic Factors

The County is currently stable financially with the help of the recent increase in the oil and gas industry. Department heads are continuing to remain within their appropriated budgets for the year.

The various economic factors were considered in the preparation of the County's 2012 budget, and will be considered in the preparation of future budgets. Appropriate measures will be taken to ensure spending is within available resources.

Requests for Information

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

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Monroe County, Ohio
Statement of Net Position
December 31, 2012

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	$6,566,124	$154,458	$6,720,582
Cash and Cash Equivalents with Fiscal Agents	217,403	0	217,403
Property Taxes Receivable	1,377,484	0	1,377,484
Accounts Receivable	581,358	427,468	1,008,826
Interest Receivable	16,628	0	16,628
Internal Balances	45,341	(45,341)	0
Intergovernmental Receivable	2,436,252	0	2,436,252
Prepaid Items	77,864	3,039	80,903
Sales Taxes Receivable	498,617	0	498,617
Loans Receivable	71,369	0	71,369
Materials and Supplies Inventory	176,523	31,802	208,325
Non-Depreciable Capital Assets	56,927	0	56,927
Depreciable Capital Assets, Net	18,133,671	2,171,473	20,305,144
Total Assets	30,255,561	2,742,899	32,998,460
Liabilities			
Accounts Payable	362,224	142,106	504,330
Contracts Payable	81,801	0	81,801
Accrued Wages Payable	220,127	82,398	302,525
Matured Compensated Absences Payable	31,484	32	31,516
Intergovernmental Payable	337,854	90,553	428,407
Accrued Interest Payable	9,692	8,233	17,925
Long-Term Liabilities:			
Due Within One Year	268,259	219,660	487,919
Due In More Than One Year	479,546	1,949,275	2,428,821
Total Liabilities	1,790,987	2,492,257	4,283,244
Deferred Inflows of Resources			
Property Taxes not Levied to Finance Current Year Operations	1,298,075	0	1,298,075
Net Position			
Net Investment in Capital Assets	17,817,238	185,204	18,002,442
Restricted for:			
Other Purposes	1,287,401	0	1,287,401
Capital Projects	59,633	0	59,633
Public Assistance	285,271	0	285,271
Real Estate Assessment	374,766	0	374,766
Road and Bridge Maintenance	2,493,891	0	2,493,891
Developmental Disabilities	1,976,169	0	1,976,169
Community Development	331,598	0	331,598
Unrestricted	2,540,532	65,438	2,605,970
Total Net Position	$27,166,499	$250,642	$27,417,141

See accompanying notes to the basic financial statements

Monroe County, Ohio
Statement of Activities
For the Year Ended December 31, 2012

		Program Revenues			Net (Expense) Revenue and Change in Net Position		
					Primary Government		
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities	Business - Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government:							
Legislative and Executive	$1,965,626	$1,816,363	$29,122	$0	($120,141)	$0	($120,141)
Judicial	1,031,831	309,743	162,831	0	(559,257)	0	(559,257)
Public Safety	2,171,983	742,054	456,569	24,105	(949,255)	0	(949,255)
Public Works	4,407,686	48,311	3,368,291	1,239,821	248,737	0	248,737
Health	2,431,401	187,110	862,766	0	(1,381,525)	0	(1,381,525)
Human Services	3,023,334	353,467	2,638,941	0	(30,926)	0	(30,926)
Economic Development	625,358	9,858	78,670	0	(536,830)	0	(536,830)
Interest and Fiscal Charges	15,906	0	0	0	(15,906)	0	(15,906)
Total Governmental Activities	15,673,125	3,466,906	7,597,190	1,263,926	(3,345,103)	0	(3,345,103)
Business-Type Activities:							
Care Center	4,008,636	3,837,995	0	0	0	(170,641)	(170,641)
Total Business-Type Activities	4,008,636	3,837,995	0	0	0	(170,641)	(170,641)
Total Primary Government	$19,681,761	$7,304,901	$7,597,190	$1,263,926	(3,345,103)	(170,641)	(3,515,744)

	Governmental Activities	Business - Type Activities	Total
General Revenues			
Property Taxes Levied for:			
General Purposes	1,036,949	0	1,036,949
Health	697,642	0	697,642
Sales Taxes Levied for General Purposes	1,961,452	0	1,961,452
Grants and Entitlements not Restricted to Specific Programs	567,498	0	567,498
Investment Earnings	116,217	0	116,217
Gain on Sale of Capital Assets	25,900	0	25,900
Miscellaneous	204,879	2,991	207,870
Total General Revenues	4,610,537	2,991	4,613,528
Change in Net Position	1,265,434	(167,650)	1,097,784
Net Position Beginning of Year - Restated (See Note 3)	25,901,065	418,292	26,319,357
Net Position End of Year	$27,166,499	$250,642	$27,417,141

See accompanying notes to the basic financial statements

Monroe County, Ohio
Balance Sheet
Governmental Funds
December 31, 2012

	General	Public Assistance	Maintenance	Developmental Disabilities	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	$1,516,509	$261,402	$1,160,678	$1,740,077	$1,833,744	$6,512,410
Cash and Cash Equivalents with Fiscal Agents	0	0	0	217,403	0	217,403
Receivables:						
Property Taxes	804,624	0	0	572,860	0	1,377,484
Interest	16,628	0	0	0	0	16,628
Interfund	98,878	45,641	0	0	17,258	161,777
Accounts	560,222	0	0	27	21,109	581,358
Intergovernmental	272,406	139,259	1,569,452	121,515	333,620	2,436,252
Sales Taxes	498,617	0	0	0	0	498,617
Loans Receivable	0	0	0	0	71,369	71,369
Prepaid Items	60,328	6,495	4,182	2,320	4,539	77,864
Materials and Supplies Inventory	22,384	3,660	146,641	2,896	942	176,523
Restricted Cash and Cash Equivalents	53,714	0	0	0	0	53,714
Total Assets	$3,904,310	$456,457	$2,880,953	$2,657,098	$2,282,581	$12,181,399
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	$149,852	$21,059	$109,786	$30,571	$50,956	$362,224
Interfund Payable	1,077	8,382	30,138	10,671	66,168	116,436
Matured Compensated Absences Payable	9,566	0	7,019	14,821	78	31,484
Contract Payable	0	0	0	0	81,801	81,801
Accrued Wages Payable	59,483	36,127	73,333	27,140	24,044	220,127
Intergovernmental Payable	199,177	32,385	43,169	23,510	39,613	337,854
Total Liabilities	419,155	97,953	263,445	106,713	262,660	1,149,926
Deferred Inflows of Revenues						
Property Taxes not Levied to Finance Current Year Operations	758,239	0	0	539,836	0	1,298,075
Unavailable Revenue	532,985	158,774	1,058,033	100,422	190,377	2,040,591
Total Deferred Inflows of Revenues	1,291,224	158,774	1,058,033	640,258	190,377	3,338,666
Fund Balances						
Nonspendable	136,426	10,155	150,823	5,216	76,850	379,470
Restricted	0	189,575	1,408,652	1,904,911	1,758,251	5,261,389
Assigned	585,692	0	0	0	0	585,692
Unassigned (Deficit)	1,471,813	0	0	0	(5,557)	1,466,256
Total Fund Balances	2,193,931	199,730	1,559,475	1,910,127	1,829,544	7,692,807
Total Liabilities, Deferred Inflows of Revenues, and Fund Balances	$3,904,310	$456,457	$2,880,953	$2,657,098	$2,282,581	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		18,190,598
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	79,409	
Sales Taxes	205,023	
Accrued Interest	16,628	
Accounts Receivable	105,897	
Intergovernmental	1,633,634	
Total		2,040,591
Long-term liabilities and accrued interest are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(180,027)	
Capital Leases	(193,333)	
Compensated Absences	(374,445)	
Accrued Interest Payable	(9,692)	
Total		(757,497)
Net Position of Governmental Activities		$27,166,499

See accompanying notes to the basic financial statements

Monroe County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2012

	General	Public Assistance	Maintenance	Developmental Disabities	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	$993,750	$0	$0	$765,103	$131,723	$1,890,576
Permissive Sales Taxes	2,030,362	0	0	0	0	2,030,362
Intergovernmental	714,192	1,959,103	4,234,689	859,459	2,020,434	9,787,877
Interest	114,222	0	4,274	1,774	2,998	123,268
Licenses and Permits	1,327	0	0	0	51,844	53,171
Fines and Forfeitures	42,747	0	9,339	0	37,748	89,834
Rentals	385,372	0	0	0	2,362	387,734
Charges for Services	1,956,470	155,049	38,972	10,576	813,161	2,974,228
Contributions and Donations	210	200	0	0	48,452	48,862
Other	31,965	51,695	7,526	1,460	96,456	189,102
Total Revenues	6,270,617	2,166,047	4,294,800	1,638,372	3,205,178	17,575,014
Expenditures						
Current:						
General Government:						
Legislative and Executive	1,701,606	0	0	0	256,381	1,957,987
Judicial	687,908	0	0	0	376,946	1,064,854
Public Safety	1,517,509	0	0	0	543,739	2,061,248
Public Works	48,929	0	4,443,849	0	34,310	4,527,088
Health	553,817	0	0	1,639,004	370,981	2,563,802
Human Services	162,095	2,082,589	0	0	812,359	3,057,043
Economic Development	4,814	0	0	0	619,759	624,573
Capital Outlay	0	0	189,858	0	322,738	512,596
Debt Service:						
Principal Retirement	0	0	65,294	21,027	14,000	100,321
Interest and Fiscal Charges	934	0	307	3,933	9,586	14,760
Total Expenditures	4,677,612	2,082,589	4,699,308	1,663,964	3,360,799	16,484,272
Excess of Revenues Over(Under) Expenditures	1,593,005	83,458	(404,508)	(25,592)	(155,621)	1,090,742
Other Financing Sources (Use)						
Transfers In	36,804	0	269,343	0	265,598	571,745
Proceeds from Sale of Capital Assets	45,249	0	0	0	15,000	60,249
Inception of Capital Lease	0	0	189,858	0	0	189,858
Transfers Out	(112,858)	(26,030)	(138,000)	0	(294,857)	(571,745)
Total Other Financing Sources (Use)	(30,805)	(26,030)	321,201	0	(14,259)	250,107
Net Change in Fund Balances	1,562,200	57,428	(83,307)	(25,592)	(169,880)	1,340,849
Fund Balances at Beginning of Year	631,731	142,302	1,642,782	1,935,719	1,999,424	6,351,958
Fund Balances at End of Year	$2,193,931	$199,730	$1,559,475	$1,910,127	$1,829,544	$7,692,807

See accompanying notes to the basic financial statements

Monroe County, Ohio
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2012

Net Change in Fund Balances - Governmental Funds		$1,340,849
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:		
Capital Asset Additions	1,828,727	
Current Year Depreciation	(1,094,065)	
Total		734,662
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the gain and loss from the disposal of assets:		
Loss on disposal of capital assets	(90,122)	
Gain on sale of capital assets	25,900	
Total		(64,222)
Revenues and expenses in the statement of activities that do not provide current financial resources are not reported as revenues and expenditures in the funds:		
Property Taxes	(155,985)	
Intergovernmental	(543,433)	
Sales Taxes	(68,910)	
Charges for Services	(38,061)	
Interest	1,995	
Public Safety	35,779	
Other	15,777	
Total		(752,838)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		100,321
Inception of capital leases are reported as other financing sources in the governmental funds, but the inception increases long-term liabilities in the statement of net position.		(189,858)
Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities.		(1,146)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Compensated Absences Payable		97,666
Change in Net Position of Governmental Activities		$1,265,434

See accompanying notes to the basic financial statements

Monroe County, Ohio
Statement of Revenues, Expenditures, and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2012

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Property Taxes	$883,400	$950,619	$991,485	$40,866
Permissive Sales Taxes	1,600,000	1,690,444	2,038,512	348,068
Intergovernmental	519,200	574,719	677,324	102,605
Charges for Services	1,024,360	1,300,265	1,675,681	375,416
Fines and Forfeitures	44,200	44,200	42,747	(1,453)
Licenses and Permits	1,000	1,000	1,327	327
Interest	100,000	100,000	114,341	14,341
Rent	360	360	330	(30)
Contributions and Donations	300	300	210	(90)
Reimbursements	85,500	116,024	39,345	(76,679)
Other	19,500	167,939	98,261	(69,678)
Total Revenues	4,277,820	4,945,870	5,679,563	733,693
Expenditures				
Current:				
General Government:				
Legislative and Executive	1,518,472	2,018,845	1,819,356	199,489
Judicial	711,291	738,486	665,243	73,243
Public Safety	1,453,521	1,549,963	1,519,557	30,406
Public Works	15,000	48,929	48,929	0
Health	462,280	567,109	538,411	28,698
Human Services	212,607	212,607	160,514	52,093
Community and Economic Development	0	4,814	4,814	0
Debt Service:				
Principal Retirement	0	39,427	39,427	0
Interest and Fiscal Charges	0	934	934	0
Total Expenditures	4,373,171	5,181,114	4,797,185	383,929
Excess of Revenues Over (Under) Expenditures	(95,351)	(235,244)	882,378	1,117,622
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	60,351	45,249	(15,102)
Proceeds of Loans		0	8,000	8,000
Advances In	0	8,050	0	(8,050)
Transfers In	10,069	59,728	36,804	(22,924)
Transfers Out	(198,200)	(245,558)	(120,179)	125,379
Advances Out	0	(9,600)	0	9,600
Total Other Financing Sources (Uses)	(188,131)	(127,029)	(30,126)	96,903
Net Change in Fund Balance	(283,482)	(362,273)	852,252	1,214,525
Fund Balance at Beginning of Year	457,867	457,867	457,867	0
Prior Year Encumbrances	53,395	53,395	53,395	0
Fund Balance at End of Year	$227,780	$148,989	$1,363,514	$1,214,525

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, 2012

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Charges for Services	$27,151	$118,000	$145,151	$27,151
Intergovernmental	1,828,873	2,245,685	1,960,181	(285,504)
Contributions and Donations	0	0	200	200
Other	100,500	100,500	51,695	(48,805)
Total Revenues	1,956,524	2,464,185	2,157,227	(306,958)
Expenditures				
Current:				
Human Services	2,421,492	2,840,734	2,183,147	657,587
Excess of Revenues Over (Under) Expenditures	(464,968)	(376,549)	(25,920)	350,629
Other Financing Source (Use)				
Transfers In	560,000	442,000	0	(442,000)
Transfers Out		(194,830)	(26,030)	168,800
Total Other Financing Source (Use)	560,000	247,170	(26,030)	(273,200)
Net Change in Fund Balance	95,032	(129,379)	(51,950)	77,429
Fund Balance at Beginning of Year	243,239	243,239	243,239	0
Prior Year Encumbrances Appropriated	34,992	34,992	34,992	0
Fund Balance at End of Year	$373,263	$148,852	$226,281	$77,429

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, 2012

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues				
Intergovernmental	$3,330,000	$4,177,313	$4,246,269	$68,956
Charges for Services	25,000	25,000	41,447	16,447
Fines and Forfeitures	7,700	7,700	9,339	1,639
Interest	1,200	1,200	4,009	2,809
Other	100,000	25,000	7,681	(17,319)
Total Revenues	3,463,900	4,236,213	4,308,745	72,532
Expenditures				
Current:				
Public Works	3,573,000	5,095,887	4,343,219	752,668
Debt Service:				
Principal	0	65,294	65,294	0
Interest	0	307	307	0
Total Expenditures	3,573,000	5,161,488	4,408,820	752,668
Excess of Revenues Over (Under) Expenditures	(109,100)	(925,275)	(100,075)	825,200
Other Financing Source (Use)				
Transfers In		276,664	276,664	0
Transfers Out	(120,000)	(258,000)	(138,000)	120,000
Total Other Financing Source (Use)	(120,000)	18,664	138,664	120,000
Net Change in Fund Balance	(229,100)	(906,611)	38,589	945,200
Fund Balance at Beginning of Year	1,121,539	1,121,539	1,121,539	0
Fund Balance at End of Year	$892,439	$214,928	$1,160,128	$945,200

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
Developmental Disabilities Fund
For the Year Ended December 31, 2012

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues				
Property Taxes	$654,000	$654,000	$763,161	$109,161
Charges for Services	7,000	7,000	10,556	3,556
Intergovernmental	862,000	862,000	845,265	(16,735)
Interest	5,000	5,000	1,774	(3,226)
Other	11,524	11,524	1,433	(10,091)
Total Revenues	1,539,524	1,539,524	1,622,189	82,665
Expenditures				
Current:				
Health	1,490,040	1,650,975	1,610,337	40,638
Debt Service:				
Principal Retirements	21,027	21,027	21,027	0
Interest and Fiscal Charges	3,933	3,933	3,933	0
Total Expenditures	1,515,000	1,675,935	1,635,297	40,638
Excess of Revenues Over (Under) Expenditures	24,524	(136,411)	(13,108)	123,303
Other Financing Source (Use)				
Transfers In	25,000	25,000	0	(25,000)
Transfers Out	(45,000)	(362,400)	0	362,400
Total Other Financing Source (Use)	(20,000)	(337,400)	0	337,400
Net Change in Fund Balance	4,524	(473,811)	(13,108)	460,703
Fund Balance at Beginning of Year	1,940,405	1,940,405	1,940,405	0
Fund Balance at End of Year	$1,944,929	$1,466,594	$1,927,297	$460,703

See accompanying notes to the basic financial statements

Monroe County, Ohio
Statement of Fund Net Position
Proprietary Fund
December 31, 2012

	Business-Type Activity Care Center
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	$153,507
Accounts Receivable	427,468
Prepaid Items	3,039
Interfund Receivable	261
Materials and Supplies Inventory	31,802
Total Current Assets	616,077
Noncurrent Assets:	
Restricted Equity in Pooled Cash and Cash Equivalents	951
Depreciable Capital Assets, Net	2,171,473
Total Noncurrent Assets	2,172,424
Total Assets	2,788,501
Liabilities	
Current Liabilities:	
Accounts Payable	142,106
Accrued Wages Payable	82,398
Intergovernmental Payable	90,553
Accrued Interest Payable	8,233
Matured Compensated Absences Payable	32
Compensated Absences Payable	84,660
Current Portion of General Obliation Bonds Payable	135,000
Interfund Payable	45,602
Total Current Liabilities	588,584
Long-Term Liabilities (Net of Current Portion):	
Compensated Absences Payable	30,907
General Obligation Bonds Payable	1,918,368
Total Long-Term Liabilities	1,949,275
Total Liabilities	2,537,859
Net Position	
Net Investment in Capital Assets	185,204
Unrestricted	65,438
Total Net Position	$250,642

See accompanying notes to the basic financial statements

Monroe County, Ohio
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended December 31, 2012

	Business-Type Activity Care Center
Operating Revenues	
Charges for Services	$3,837,995
Other	2,991
Total Operating Revenues	3,840,986
Operating Expenses	
Personal Services	2,312,264
Contractual Services	1,084,668
Materials and Supplies	334,664
Depreciation	83,727
Other	94,298
Total Operating Expenses	3,909,621
Operating Loss	(68,635)
Non-Operating Expense	
Interest and Fiscal Charges	(99,015)
Change in Net Position	(167,650)
Net Position Beginning of Year - Restated (See Note 3)	418,292
Net Position End of Year	$250,642

See accompanying notes to the basic financial statements

Monroe County, Ohio
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2012

	Business-Type Activity Care Center
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Customers	$4,004,991
Cash Payments for Employee Services and Benefits	(2,292,054)
Cash Payments for Goods and Services	(1,383,466)
Cash Received from Other Operating Sources	1,749
Other Operating Expenses	(119,519)
Net Cash Provided by Operating Activities	211,701
Cash Flows from Capital and Related Financing Activities	
Principal Paid on General Obligation Bonds	(125,000)
Interest and Fiscal Charges Paid on General Obligation Bonds	(102,457)
Net Cash Used for Capital and Related Financing Activities	(227,457)
Net Decrease in Cash and Cash Equivalents	(15,756)
Cash and Cash Equivalents Beginning of Year	170,214
Cash and Cash Equivalents End of Year	$154,458
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating Loss	($68,635)
Adjustments:	
Depreciation	83,727
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	166,753
Decrease in Materials and Supplies Inventory	6,581
Decrease in Prepaid Items	4,035
Decrease in Interfund Receivable	243
Decrease in Accounts Payable	(12,309)
Increase in Accrued Wages Payable	9,787
Increase in Compensated Absences Payable	10,124
Increase in Interfund Payable	10,606
Increase in Intergovernmental Payable	789
Net Cash Provided by Operating Activities	$211,701

See accompanying notes to the basic financial statements

Monroe County, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2012

Assets	
Equity in Pooled Cash and Cash Equivalents	$1,646,495
Cash and Cash Equivalents in Segregated Accounts	117,900
Investments in Segregated Accounts	111,480
Receivables:	
Property Taxes	13,759,830
Accounts Receivable	74,033
Intergovernmental	1,679,930
Total Assets	$17,389,668
Liabilities	
Intergovernmental Payable	$16,513,605
Deposits Held and Due to Others	725,965
Undistributed Monies	150,098
Total Liabilities	$17,389,668

See accompanying notes to the basic financial statements

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NOTE 1 - REPORTING ENTITY

Established in 1813, Monroe County, Ohio (the County), is governed by a board of three commissioners elected by the voters of the County. Other officials elected by the voters of the County who manage various segments of the County's operations are the County Auditor, County Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, a County Court Judge, and a Common Pleas-Juvenile-Probate Court Judge. Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as serve as the budget and taxing authority, contracting body, and chief administrators of public services for the County, including each of these departments.

Reporting Entity

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

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the program's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations for which the County approves the budget, the levying of taxes, or the issuance of debt. The Monroe Adult Crafts Organization, Inc. (Workshop) was previously presented as a component unit of the County. However, for 2012, this component unit's activity was considered immaterial and thus excluded from the financial statements.

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

Monroe County Agricultural Society
Monroe County Historical Society

As the custodian of public funds, the County Treasurer invests all public monies held on deposit in the county treasury. In the case of the separate agencies, boards, and commissions listed below, the County serves as fiscal agent, but is not financially accountable for their operations. Accordingly, the activity of the following entities is presented as agency funds in the County's financial statements:

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

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

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

The County participates in the following organizations which are defined as jointly governed organizations. Additional financial information concerning the jointly governed organizations is discussed in Note 19.

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

The County is associated with the following organizations which are defined as related organizations. Additional financial information concerning the related organizations is presented in Note 20.

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

The County is associated with the County Risk Sharing Authority, Inc. (CORSA) and the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan which are defined as public entity pools. Additional information concerning these organizations is presented in Note 21.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

B. 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 deferred outflows of resources, and liabilities and deferred inflows of resources is reported as fund balance. The following are the County's major governmental funds:

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

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

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

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

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

Proprietary Fund Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as either enterprise or internal service.

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

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

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

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

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the County are included on the Statement of Net Position. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

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

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

D. Basis of Accounting

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

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

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the year for which the taxes are levied (see Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: sales taxes (see Note 8), interest, federal and state grants and subsidies, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fees, and rentals.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the County, deferred inflows of resources include property taxes, unavailable revenue, and unearned revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2012, but which were levied to 2013 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the County unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Unearned revenue represents amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned. For the County, unearned revenue includes human services overpayments that will be adjusted into the subsequent year’s allocations.

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

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

E. Budgetary Process

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

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

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

F. Cash and Cash Equivalents

Cash balances of the County's funds, except cash held by a trustee, fiscal agent, or held in segregated accounts, are pooled and invested in short-term investments in order to provide improved cash management. During 2012, investments were limited to non-participating certificates of deposit, negotiable certificates of deposit, and STAROhio.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Non-participating investment contracts are reported at cost or amortized cost. STAR Ohio is an investment pool managed by the State Treasurer's office which 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 not 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, 2012. Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the County are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

Interest revenue is distributed to the funds according to the Monroe County Prosecutor's interpretation of Ohio constitutional and statutory requirements. Interest revenue credited to the General Fund during 2012 amounted to $114,222 which includes $103,023 assigned from other County funds.

G. Restricted Assets

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

H. Receivables and Payables

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

I. Inventory of Supplies

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

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

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2012, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

K. Interfund Balances

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

L. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The County maintains a capitalization threshold of $10,000 for buildings, improvements, equipment and vehicles and $15,000 for infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest costs incurred during the construction of capital assets utilized by the enterprise funds are also capitalized.

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Infrastructure	25-75 Years	25-75 Years
Buildings and Improvements	10-50 Years	10-50 Years
Vehicles and Equipment	4-20 Years	4-20 Years

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

M. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the County will compensate the employees for the benefits through paid time off or some other means. The County records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. Sick leave benefits are accrued as a liability using the vesting method.

The liability includes the employees who are currently eligible to receive termination benefits and those the County has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year-end taking into consideration any limits specified in the County's termination policy. The County records a liability for sick leave for employees with twenty or more years of service at any age or 10 years of service at age 50.

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

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

N. Accrued Liabilities and Long-Term Obligations

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

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

O. Fund Balance Reserves

Fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (County resolutions).

Enabling legislation authorizes the County to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the County can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specific by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the County Commissioners. Those committed amounts cannot be used for any other purpose unless the Commissioners removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by County Commissioners, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the County Commissioners. In the General Fund, assigned amounts represent intended uses established by the County Commissioners or a County official delegated that authority by resolution or by State Statute. State statute authorizes the County Auditor to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Unassigned Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

P. <u>Internal Activity</u>

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

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

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

Q. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets 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 position is 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. Restricted net position primarily includes activities involving the upkeep of the County's roads and bridges and services for the handicapped and mentally retarded.

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

R. Operating Revenues and Expenses

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

S. Extraordinary and Special Items

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

T. Estimates

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

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES

For 2012, the County has implemented Governmental Accounting Standard Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions – and amendment of GASB Statement No. 53 "Fund Balance Reporting and Governmental Fund Type Definitions", and Statement No. 65, "Items Previously Reported as Assets and Liabilities".

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the County's 2012 financial statements and there was no effect on beginning fund balance, however, the table below shows the effect on business-type beginning net position.

GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this statement did not result in any change in the County's financial statements.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the County's 2012 financial statements and there was no effect on beginning fund balance, however, the table below shows the effect on business-type beginning net position.

	Care Center Enterprise Fund
Net Position at December 31, 2011	$489,338
GASBs 63 and 65	(71,046)
Adjusted Net Position at December 31, 2011	$418,292

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

C. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance.

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

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

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

Net Change in Fund Balances
General and Major Special Revenue Funds

	General	Public Assistance	Maintenance	Developmental Disabilities
GAAP Basis	$1,562,200	$57,428	($83,307)	($25,592)
Net Adjustment for Revenue Accruals	(503,174)	(8,820)	(175,648)	(3,870)
Beginning of the Year:				
Unrecorded Cash	19,102	0	285	1,421
Agency Fund Cash Allocation	19,191	0	0	16,449
Prepaid Items	63,939	8,411	3,151	540
End of the Year:				
Unrecorded Cash	(104,717)	0	(550)	(11,792)
Agency Fund Cash Allocation	(21,456)	0	0	(18,391)
Prepaid Items	(60,328)	(6,495)	(4,182)	(2,320)
Net Adjustment for Expenditure Accruals	(3,221)	(67,353)	291,519	30,447
Proceeds of Loans	8,000	0	0	0
Transfers In	0	0	7,321	0
Transfers Out	(7,321)	0	0	0
Debt Service - Principal	(39,427)	0	0	0
Encumbrances	(80,536)	(35,121)	0	0
Budget Basis	$852,252	($51,950)	$38,589	($13,108)

NOTE 5 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

The 911 and Law Library Resources Special Revenue Funds had deficit fund balances in the amounts of $642 and $4,915, respectively, as of December 31, 2012. These deficits are due to the recognition of payables in accordance with generally accepted accounting principles. The General Fund provides operating transfers for these funds but only as cash is required, not as a deficit occurs.

B. Compliance

The following account had expenditures plus encumbrances in excess of appropriations contrary to Section 5705.41, Revised Code:

Fund Type/Fund	Excess
E-Squad Levy Special Revenue Fund	
Health	
Contractual Services	$4,180

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

NOTE 6 - DEPOSITS AND INVESTMENTS

Monies held by the County are classified by State Statute into two categories, active and inactive. Active monies are public monies determined to be necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

2. Bonds, notes, debentures, or any other obligations or securities entered into by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio or it political subdivisions, provided that such political subdivisions are located wholly or partly within the County;

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

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

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

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

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

   a. Commercial paper notes in entities incorporated under the laws of Ohio or any other State that have assets exceeding five hundred million dollars rated at the time of purchase, which are rated in the highest qualification established by two nationally recognized standard rating services, which do not exceed ten percent of the value of the outstanding commercial paper of the issuing corporation and which mature within 270 days after purchase;

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

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

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

12. One percent of the County's average portfolio in debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government.

Repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Other than corporate notes, commercial paper, and bankers' acceptances, an investment must mature within five years from the date of settlement unless matched to a specific obligation or debt of the County. Investments must be purchased with the expectation that they will be held to maturity. Investments may only be made through specified dealers and institutions.

Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand

At year-end, the County had $144,669 in undeposited cash on hand which is included on the financial statements of the County as part of "Equity in Pooled Cash and Cash Equivalents" and "Cash and Cash Equivalents in Segregated Accounts".

Deposits

Custodial Credit Risk Custodial Credit Risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, $2,223,811 of the County's bank balance of $3,558,722 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

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

At December 31, 2012, the County's Developmental Disabilities Special Revenue Fund had a cash balance of $217,403 with MEORC, a jointly governed organization (see Note 19). The money is held by MEORC in a pooled account which is representative of numerous entities and therefore cannot be classified by risk under GASB Statement 40.

Any risk associated with the cash and cash equivalents and investments for MEORC as a whole may be obtained from their audit report. To obtain financial information, write to the Mid East Ohio Regional Council, Cathy Henthorn, who serves as Associate Director of Business, 160 Columbus Road, Mt. Vernon, Ohio 43050.

Investments

As of December 31, 2012, the County had the following investments which are in the internal investment pool:

	Fair Value	Maturity	Percent of Total Investments	Rating	Rating Agency
Negotiable Certificates of Deposit	$5,244,000	1/2/2013-11/9/2017	100%	N/A	N/A
STAR Ohio	$88,572	55.4 days	N/A	AAAm	S&P

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

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

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

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

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the County. Property tax revenue received during 2012 for real and public utility property taxes represents collections of 2011 taxes.

2012 real property taxes were levied after October 1, 2012, on the assessed value as of January 1, 2012, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2012 real property taxes are collected in and intended to finance 2013.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

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. 2012 public utility property taxes which became a lien December 31, 2011, were levied after October 1, 2012, and are collected in 2013 with real property taxes.

The full tax rate for all County operations for the year ended December 31, 2012**,** was $8.10 per $1,000 of assessed value. The assessed values of real and tangible personal property upon which 2012 property tax receipts were based are as follows:

Real Property	$208,331,370
Public Utility Personal Property	92,052,190
Total Assessed Value	$300,383,560

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 portion of the taxes collected. The collection and distribution of taxes for all subdivisions within the County, excluding the County itself, is accounted for through agency funds. The amount of the County's tax collections is accounted for within the applicable funds. Property taxes receivable represents real and public utility taxes and outstanding delinquencies which are measurable as of December 31, 2012, and for which there is an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance 2012 operations is offset to deferred inflows of resources - property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources - unavailable revenue.

NOTE 8 - PERMISSIVE SALES AND USE TAXES

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

The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The Office of Budget and Management then has five days in which to draw the warrant payable to the County. Proceeds of the tax are credited entirely to the General Fund. Sales and use tax revenue in 2012 amounted to $2,030,362.

NOTE 9 - RECEIVABLES

Receivables at December 31, 2012, consisted of taxes, interest, interfund, accounts (billings for user charged services), loans, and intergovernmental receivables arising from grants, entitlements and shared revenues. Management believes all receivables, with the exception of loans, are fully collectible within one year. A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amount
Property Tax Allocations	$108,461
Local Government, Local Government Reveneue Assistance, and Library and Local Governmental Support Subsidies	129,164
Motor Vehicle License Tax	455,274
Motor Vehicle Gas Tax	1,114,178
Casino Revenue	67,545
Indigent Defense	7,875
Community Development Block Grants	173,899
Youth Services Grants	27,821
DARE Grant	3,776
Public Assistance Grants and Subsidies	187,418
Monroe County Public Transportation Grants	4,179
Community Corrections Grants	39,749
Emergency Management Grants	4,209
MC Task Force Grants	3,725
Miscellaneous Receivables	69,377
VWAP Grants	26,214
FEMA Reimbursements	1,889
Developmental Disabilities State and Federal Grants	11,499
Total Governmental Activities	$2,436,252

The Community Development Block Grant Special Revenue Fund reflects loans receivable of $71,369. This amount is for the principal owed to the County for Federal Community Development Block Grant Program monies loaned to businesses for improvements. The loans bear interest at annual rates of three to five percent. These loans are to be repaid over the next four years.

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012, was as follows:

	Balance December 31, 2011	Additions	Reductions	Balance December 31, 2012
Governmental Activities				
Non-Depreciable Capital Assets:				
Land	$56,927	$0	$0	$56,927
Depreciable Capital Assets:				
Infrastructure	19,185,820	1,235,080	(272,443)	20,148,457
Buildings and Improvements	3,393,898	20,418	0	3,414,316
Vehicles and Equipment	6,275,095	573,229	(235,219)	6,613,105
Total Depreciable Capital Assets	28,854,813	1,828,727	(507,662)	30,175,878
Accumulated Depreciation:				
Infrastructure	(6,237,761)	(589,118)	242,570	(6,584,309)
Buildings and Improvements	(1,658,476)	(92,827)	0	(1,751,303)
Vehicles and Equipment	(3,495,345)	(412,120)	200,870	(3,706,595)
Total Accumulated Depreciation	(11,391,582)	(1,094,065) *	443,440	(12,042,207)
Total Depreciable Capital Assets, Net	17,463,231	734,662	(64,222)	18,133,671
Governmental Capital Assets, Net	$17,520,158	$734,662	($64,222)	$18,190,598

*Depreciation expense was charged to governmental activities as follows:

Legislative and Executive	$11,339
Judicial	6,937
Public Safety	53,672
Public Works	841,473
Health	160,228
Human Services	19,631
Economic Development	785
Total Depreciation Expense	$1,094,065

	Balance December 31, 2011	Additions	Reductions	Balance December 31, 2012
Business - Type Activities				
Depreciable Capital Assets:				
Buildings and Improvements	$3,349,070	$0	$0	$3,349,070
Vehicles and Equipment	24,942	0	0	24,942
Total Depreciable Capital Assets	3,374,012	0	0	3,374,012
Accumulated Depreciation:				
Buildings and Improvements	(1,093,870)	(83,727)	0	(1,177,597)
Vehicles and Equipment	(24,942)	0	0	(24,942)
Total Accumulated Depreciation	(1,118,812)	(83,727)	0	(1,202,539)
Total Depreciable Capital Assets, Net	2,255,200	(83,727)	0	2,171,473
Business - Type Activities Capital Assets, Net	$2,255,200	($83,727)	$0	$2,171,473

NOTE 11 - RISK MANAGEMENT

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

General Liability	$1,000,000 each occurrence
Law Enforcement Liability	$1,000,000 each occurrence
Automobile Liability	$1,000,000 each occurrence
Errors and Omissions Liability	$1,000,000 each occurrence
	$1,000,000 annual aggregate
Excess Liability	$3,000,000 each occurrence
	$3,000,000 annual aggregate
Medical and Professional Liability	$4,000,000
	$2,000,000 sublimit for County Home
Property Damage Liability	$45,181,715
Equipment Breakdown	$100,000,000
Crime	$1,000,000
Uninsured/Underinsured Motorists	$250,000
Attorney Disciplinary Proceedings	$25,000 each occurrence
	$25,000 annual aggregate
Bridges	$609,240
EDP Media/Extra Expense	$575,000
Dog Warden Blanket	$2,000

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

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

For 2012 the County participated in the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool (see Note 21). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

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

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

The County pays all elected official bonds by state statute.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description - The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension 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.

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

Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/investments/cafr.shtml, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law enforcement and public safety employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in State and local divisions and 12 percent for law enforcement and public safety members. For the year ended December 31, 2012, members in state and local divisions contributed 10 percent of covered payroll while public safety and law enforcement members contributed 11.5 percent and 12.1 percent, respectively. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2012, member and employer contribution rates were consistent across all three plans.

The County's 2012 contribution rate was 14 percent, except for those plan members in law enforcement or public safety, for whom the County's contribution was 18.1 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4 percent for 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2012. Employer contributions rates are actuarially determined.

The County's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011, and 2010 were $701,323, $706,933, and $509,605, respectively. For 2012, 95 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010. Contributions to the Member-Directed and Combined Plans for 2012 were $7,595 made by the County and $5,425 made by the plan members.

B. State Teachers Retirement System

Plan Description - The County participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the year ended December 31, 2012, plan members were required to contribute 10 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For 2011, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to STRS Ohio for the years ended December 31, 2012, 2011, and 2010 were $67,745, $63,514, and $60,535, respectively; 100 percent has been contributed for years 2012, 2011, and 2010.

NOTE 13 - POST EMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

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

OPERS maintains a cost sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, a prescription drug program, and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting https://www.opers.org/investments/cafr.shtml, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy - The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2012, state and local government employers contributed at a rate of 14 percent of covered payroll, and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4 percent for 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2012. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1 percent for both plans, as recommended by the OPERS Actuary.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or the retiree’s surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The County’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011, and 2010 were $270,758, $273,530, and $329,744, respectively. For 2012, 95 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010. There were no contributions to the DC and Combined Plans for 2012 made by either the County or the plan members.

B. State Teachers Retirement System

Plan Description - The County contributes to the cost-sharing, multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians’ fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund.

The County's contributions for health care for the years ended December 31, 2012, 2011, and 2010 were $5,211, $4,886 and $4,657, respectively; 100 percent has been contributed for the years 2012, 2011, and 2010.

NOTE 14 - OTHER EMPLOYEE BENEFITS

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

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

NOTE 15-CAPITAL LEASES-LESSEE DISCLOSURE

Vehicles and road equipment acquired by lease have been capitalized in government-wide statements governmental activities in the amount of $344,058, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the government-wide statements as part of governmental activities. Each lease meets the criteria of a capital lease which is defined as transferring benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the basic financial statements for the governmental funds.

These governmental activities capitalized leased assets are reflected net of accumulated depreciation in the amount of $297,798 at December 31, 2012. There were principal payments towards these leases of $86,321. These leases are being repaid by the Developmental Disabilities and Maintenance Special Revenue Funds.

Future minimum lease payments through 2015 for governmental activities are as follows:

Year Ending December 31,	Principal	Interest	Total
2013	$83,087	$7,473	$90,560
2014	86,334	4,327	90,661
2015	23,912	1,047	24,959
Total	$193,333	$12,847	$206,180

NOTE 16 - LONG-TERM OBLIGATIONS

Changes in the County's long-term obligations during 2012 consist of the following:

	Outstanding 12/31//2011	Additions	Deletions	Outstanding 12/31//2012	Amounts Due Within One Year
Governmental Activities:					
General Obligation Bonds:					
1998 4.75% Senior Center - $488,000	$194,027	$0	$14,000	$180,027	$14,700
Capital Lease	89,796	189,858	86,321	193,333	83,087
Compensated Absences	472,111	14,702	112,368	374,445	170,472
Total Governmental Activities	755,934	204,560	212,689	747,805	268,259
Business-Type Activities:					
General Obligation Bonds:					
1995 Care Center Improvement Bonds - $425,000 - 5.95%	140,000	0	30,000	110,000	35,000
2002 Care Center Improvement Term Bonds - 795,000 - 5.15%	355,000	0	30,000	325,000	30,000
Bond Discount	(9,615)	0	(884)	(8,731)	0
2009 County Care Center Serial Bonds - 710,000 - Variable Interest Rate	585,000	0	65,000	520,000	70,000
Bond Premium	71,046	0	3,947	67,099	0
2009 County Care Center Term Bonds - $1,040,000 - Variable Interest Rate	1,040,000	0	0	1,040,000	0
Compensated Absences	105,475	34,322	24,230	115,567	84,660
Total Business-Type Activities	2,286,906	34,322	152,293	2,168,935	219,660
Total Long-Term Obligations	$3,042,840	$238,882	$364,982	$2,916,740	$487,919

Governmental Activities

General Obligation Bonds

During 1998, the County issued $488,000 in general obligation bonds that are direct obligations of the County for which its full faith and credit are pledged for repayment and will be repaid from the Debt Service Fund. These bonds were issued for the construction of a senior citizens facility. The final maturity date of the Senior Center Bonds is December 1, 2022.

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

Year Ending December 31,	Principal	Interest	Total
2013	$14,700	$8,551	$23,251
2014	15,400	7,853	23,253
2015	16,100	7,122	23,222
2016	16,900	6,357	23,257
2017	17,600	5,554	23,154
2018-2022	99,327	14,389	113,716
Total	$180,027	$49,826	$229,853

Capital Lease
The County has entered into capital leases for vehicles and road equipment. These leases will be repaid through the Developmental Disabilities and Maintenance Special Revenue Funds.

Compensated Absences
The County will pay compensated absences from the General Fund and the Public Assistance, Maintenance, Real Estate Assessment, Dog and Kennel, Child Support Enforcement Agency, Monroe County Public Transportation, Community Corrections, and Developmental Disabilities Special Revenue Funds.

<u>Business-Type Activities</u>

General Obligation Bonds
The 1995 and 2002 Care Center Improvement General Obligation Bonds were issued to provide funding for various repairs and improvements to the Care Center. These bonds will be paid from revenues derived from the operation of the Care Center. The 2002 bonds were sold at a discount that will be amortized over the life of the bonds using the straight-line method. The amount amortized during 2012 was $884 leaving an unamortized balance at December 31, 2012 of $8,731.

On November 12, 2009, the County issued $1,750,000 in various interest rate general obligation bonds. The proceeds of these bonds were used to renovate the existing County Care Center. The bonds were sold at a premium of $78,947 that will be amortized over the life of the bonds using the straight-line method. The amount amortized for 2012 was $3,947 leaving an unamortized balance at December 31, 2012 of $67,099. These bonds are backed by the full faith and credit of the County and will be repaid from the Care Center Enterprise Fund revenues.

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

Year Ending December 31,	Principal	Interest	Total
2013	$135,000	$97,753	$232,753
2014	135,000	92,591	227,591
2015	140,000	87,000	227,000
2016	105,000	82,240	187,240
2017	105,000	78,332	183,332
2018-2022	590,000	318,699	908,699
2023-2027	530,000	173,287	703,287
2028-2029	255,000	23,100	278,100
Total	$1,995,000	$953,002	$2,948,002

The term bonds maturing on December 1, 2024 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Principal Amount to be Redeemed
2020	$80,000
2021	$85,000
2022	$90,000
2023	$95,000
Total	$350,000

The remaining principal amount of such term bonds ($100,000) will be paid at maturity on December 1, 2024.

The term bonds maturing on December 1, 2029 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Principal Amount to be Redeemed
2025	$105,000
2026	$110,000
2027	$120,000
2028	$125,000
Total	$460,000

The remaining principal amount of such term bonds ($130,000) will be paid at maturity on December 1, 2024.

Compensated Absences

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

The County's overall legal debt margin at December 31, 2012 was $5,632,393.

NOTE 17 - NOTES PAYABLE

The following summarizes the note transactions for the year ended December 31, 2012:

	Interest Rate	Outstanding 12/31/2011	Issued	Retired	Outstanding 12/31/2012
General Fund					
$45,000 Courthouse Renovation Notes-2009	4.75%	$27,000	$0	$27,000	$0
$8,000 Maintenance Truck Promissory Note	4.15%	0	8,000	8,000	0
$39,239 E-Squad Promissory Note	4.00%	0	39,239	39,239	0
$13,615 Maintenance Truck Promissory Note-2010	4.00%	4,427	0	4,427	0
Total General Fund		$31,427	$47,239	$78,666	$0

All notes were revenue anticipation notes and were backed by the full faith and credit of the County. These notes were issued for the purpose of courthouse renovations, the purchase of two maintenance trucks, and an emergency squad.

NOTE 18 - INTERNAL BALANCES

Interfund balances at December 31, 2012 consist of the following individual fund receivables and payables:

	Interfund Receivable				
	Major Funds				
Interfund Payable	General	Public Assistance	Other Nonmajor Governmental	Care Center	Total
Major Funds					
General Fund	$0	$0	$816	$261	$1,077
Public Assistance	0	0	8,382	0	8,382
Maintenance	30,138	0	0	0	30,138
Developmental Disabilities	10,671	0	0	0	10,671
Other Nonmajor Governmental	13,545	44,563	8,060	0	66,168
Care Center	44,524	1,078	0	0	45,602
Total All Funds	$98,878	$45,641	$17,258	$261	$162,038

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

Interfund transfers during 2012 consisted of the following:

	Transfer To			
	Major Funds		Other Nonmajor	
Transfer from	General	Maintenance	Governmental	Totals
Major Funds:				
General Fund	$0	$12,429	$100,429	$112,858
Public Assistance	0		26,030	26,030
Maintenance	0		138,000	138,000
Other Nonmajor Governmental	36,804	256,914	1,139	294,857
Total All Funds	$36,804	$269,343	$265,598	$571,745

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

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS

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

The District administers County Community Development Block Grant and Issue II monies. During 2012, the County contributed $1,964 to the District. The continued existence of the District is not dependent on the County's continued participation, and no equity interest exists. The District has no outstanding debt.

B. Joint Solid Waste District (District) - The County is a member of the District, which is a jointly governed organization. The purpose of the District is to make disposal of waste in the six-county area more comprehensive in terms of recycling, incinerating, and land filling. The District was created in 1989 as required by the Ohio Revised Code.

The District is governed and operated through three groups. An eighteen member board of directors, comprised of three commissioners from each county, is responsible for the District's financial matters. Financial records were maintained by Muskingum County until May 1993 at which time Noble County assumed the responsibility. The District's sole revenue source is a waste disposal fee for in-district and out-of-district waste. Although the County contributed amounts to the District at the time of its creation, no contributions were received from the County in 2012. No future contributions by the County are anticipated.

A forty-three member policy committee, comprised of seven members from each county and one at-large member appointed by the policy committee, is responsible for preparing the solid waste management plan of the District in conjunction with a Technical Advisory Council whose members are appointed by the policy committee. Continued existence of the District is not dependent on the County's continued participation. The County does not have an equity interest in or a financial responsibility for the District. The District has no outstanding debt.

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

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

During 2012, the County contracted with GMN to provide senior citizens services. Through this contract, the County is acting as fiscal agent for the collection and settlement of the senior citizens levy. The County is also annually paying all of the cost of the general obligation bonds used to build the senior citizen center.

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

A Board of Trustees has been created whose members are appointed by the Juvenile Court Judges, of whom Belmont and Jefferson Counties have three appointees, Guernsey County has two appointees, and Harrison, Monroe, and Noble Counties each have one appointee. The facility is located on property now owned by the Judicial Rehabilitation Board.

The Board is not dependent upon the County for its continued existence, no debt exists, and the County does not have equity interest in, or a financial responsibility for, the Board. Monroe County does not contribute monies directly to fund the district.

E. Belmont, Harrison, and Monroe Counties Cluster (Cluster) - The Cluster provides services to multi-need youth in Monroe, Belmont, and Harrison Counties. Members of the Cluster include the Belmont, Harrison, and Monroe Counties Mental Health and Recovery Board, the Children Services Board, the Belmont, Harrison, Monroe Crossroads Counseling Services, Student Services, Belmont-Harrison Juvenile District, the Superintendent of Public Instruction, and the Directors of Youth Services, Human Services, and Developmental Disabilities.

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

F. Mental Health Recovery Board (Board) - The Board is responsible for delivery of comprehensive mental heath and substance abuse services in Belmont, Harrison, and Monroe Counties. The Board provides no direct services but contracts for their delivery. The Board's function is to assess needs, and to plan, monitor, fund and evaluate the services. The Board is managed by eighteen members, six appointed by Commissioners of Belmont County, two each by Commissioners of Harrison and Monroe Counties and are proportionate to population, four by Ohio Department of Drug and Alcohol, and four by the State Department of Mental Health. Each participating county's influence is limited to the number of members each appoints to the Board. The Board exercises total control of the budgeting, appropriation, contract, and management. The Board is not dependent upon the County for its continue existence, no debt exists, and the County does not have an equity interest in, or a financial responsibility for, the Board. The County's 2012 contribution to the Board was $6,000.

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

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

I. Buckeye Hills Resource Conservation and Development Project (Project) - The Project was organized to lead local efforts directed toward improving social and economic conditions of the Buckeye Hills RC&D Area through development, conservation, and proper use of all resources of the area. It serves Athens, Belmont, Fairfield, Hocking, Meigs, Monroe, Morgan, Noble, Perry, and Washington Counties.

The Project is governed by an executive council. The Council is composed of one County Commissioner from each county, one member from the Soil and Water Conservation District of each county, a representative chosen jointly by the county commissioners and Soil and Water Conservation District of each county, a member from the Muskingum Watershed Conservancy District, and one member from the Rush Creek Conservancy District. The Council has total control over budgeting, personnel, and all other financial matters. During 2012, the Council received $700 in dues from Monroe County. The continued existence of the District is not dependent on the County's continued participation and no equity interest exists.

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

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

NOTE 20 - RELATED ORGANIZATIONS

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

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

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

NOTE 21 - PUBLIC ENTITY POOLS

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

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

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the board of trustees. CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates.

The County does not have an equity interest in or a financial responsibility for CORSA. Any additional premium or contribution amounts and estimates of losses are not reasonably determinable. The County's payment for insurance to CORSA in 2012 was $156,800.

B. County Commissioners Association of Ohio Workers' Compensation Group Rating Plan

The County is participating in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners Association of Ohio Service Corporation (CCAOSC) was established through the County Commissioners Association of Ohio (CCAO) as a group purchasing pool.

A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services and general management fees, determining ongoing eligibility of each participant, and performing any other acts and functions which may be delegated to it by the participating employers. The group executive committee consists of seven members. Two members are the president and treasurer of CCAOSC; the remaining five members are representatives of the participants. These five members are elected for the ensuing year by the participants at the meeting held in the month of December each year. No participant can have more than one member on the group executive committee in any year, and each elected member shall be a county commissioner.

NOTE 22 - RELATED PARTY TRANSACTIONS

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

NOTE 23 - FOOD STAMPS

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

NOTE 25 - FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balances for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Public Assistance	Maintenance	Developmental Disabilities	Other Governmental Funds	Total
Nonspendable:						
Inventory	$22,384	$3,660	$146,641	$2,896	$942	$176,523
Prepaids	60,328	6,495	4,182	2,320	4,539	77,864
Long-Term Receivables	0	0	0	0	71,369	71,369
Unclaimed Monies	53,714	0	0	0	0	53,714
Total Nonspendable	136,426	10,155	150,823	5,216	76,850	379,470
Restricted to:						
Court Corrections	0	0	0	0	172,260	172,260
Roads and Bridges	0	0	1,408,652	0	13,314	1,421,966
Human Services	0	189,575	0	0	257,513	447,088
Community Development	0	0	0	0	183,131	183,131
Public Safety	0	0	0	0	406,780	406,780
Developmental Disabilities	0	0	0	1,904,911	0	1,904,911
Health	0	0	0	0	52,329	52,329
Other Purposes	0	0	0	0	672,924	672,924
Total Restricted	0	189,575	1,408,652	1,904,911	1,758,251	5,261,389
Assigned to:						
Unpaid Obligations	9,974	0	0	0	0	9,974
Subsequent Years' Appropriations	575,718	0	0	0	0	575,718
Total Assigend	585,692	0	0	0	0	585,692
Unassigned (Deficit)	1,471,813	0	0	0	(5,557)	1,466,256
Total Fund Balances	$2,193,931	$199,730	$1,559,475	$1,910,127	$1,829,544	$7,692,807

NOTE 26 - CONTINGENT LIABILITIES

A. Grants

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

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

B. Oil/Gas Lease

The County has entered into two “Paid-Up” Oil and Gas Leases. The first lease is for 77.0084 acres of property owned by Monroe County Commissioners for Center Township, Monroe County, Ohio and is effective October 9, 2012, for a five year period with XTO Energy, Inc. The second lease is for 36.221 acres of property owned by Monroe County Commissioners and is effective February 25, 2013, for a one year period with Beck Energy Corporation. Both leases call for payments to the County, in addition to the bonus, royalties in the amount of 20 percent for all oil and other liquid hydrocarbons and by-products produced and saved from the land, and all gas and other hydrocarbons and by-products. As of the date of the financial statements, the value of any potential royalties cannot be determined.

MONROE COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012

FEDERAL GRANTOR *Pass Through Grantor* Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
Passed through Ohio Department of Jobs and Family Services			
Supplemental Nutrition Assistance Program:			
State Administrative Matching Grants	N/A	10.561	$117,668
Total Supplemental Nutrition Assistance Program			117,668
Passed Through Ohio Department of Education			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	2012/2013	10.555	137
Cash Assistance:			
National School Lunch Program	2012/2013	10.555	4,736
Total National School Lunch Program			4,873
Total U.S. Department of Agriculture			122,541
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through Ohio Department of Development			
Community Development Block Grants-State's Program:			
Community Development Program	B-F-10-1BZ-1	14.228	66,142
Community Development Program	B-F-11-1BZ-1		79,000
Community Housing Improvement Program	B-C-11-1BZ-1		219,190
Revolving Loan Program	N/A		86,047
Total Community Development Block Grant-State's Program			450,379
Home Investment Partnerships Program:			
Community Housing Improvement Program	B-C-11-1BZ-2	14.239	175,910
Total U.S. Department of Housing and Urban Development			626,289
U.S. DEPARTMENT OF JUSTICE			
Direct from Federal Government			
Bulletproof Vest Partnership Program	N/A	16.607	8,050
Passed Through Ohio Department of Public Safety - Office of Criminal Justice Services			
Edward Byrne Memorial Justice Assistance Grant Program:			
Crime Scene Investigation Equipment Upgrade	2011-JG-LLE-5884	16.738	10,000
Total U.S. Department of Justice			18,050
U.S. DEPARTMENT OF LABOR			
Passed Through Ohio Valley Employment Resource (Workforce Investment Act Area 15)			
Workforce Investment Act (WIA) Cluster:			
WIA Adult Program:			
Adult	N/A	17.258	77,852
WIA Youth Activities:			
Youth	N/A	17.259	64,560
WIA Dislocated Workers:			
Waiting List Reduction	N/A	17.278	28,133
ARRA - On-The-Job Training National Emergency Grants	N/A		1,080
Total WIA Dislocated Workers			29,213
WIA Dislocated Workers Formula Grants	N/A	17.278	122,752
Total WIA Cluster			294,377
WIA National Emergency Grants	N/A	17.277	386,835
Total U.S. Department of Labor			681,212

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

FEDERAL GRANTOR *Pass Through Grantor* Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through Ohio Department of Transportation			
Highway Planning and Construction	PID-91613	20.205	$242,255
	PID-86766		651,408
	PID-90502		15,000
Total Highway Planning and Construction			908,663
Formula Grants for Other Than Urbanized Areas	RPT 4056-031111	20.509	9,155
	RPT 0056-131112		1,070
	RPT 4056-032121		119,123
	RPT 0056-132122		34,670
Total Formula Grants for Other Than Urbanized Areas			164,018
Total U.S. Department of Transportation			1,072,681
U.S. DEPARTMENT OF EDUCATION			
Passed Through Ohio Department of Education			
Special Education Cluster (IDEA):			
Special Education - Grants to States (IDEA, Part B)	066142-6BSF-2012	84.027	11,931
	066142-6BSF-2013		7,894
Total Special Education - Grants to States (IDEA, Part B)			19,825
Special Education-Preschool Grants (IDEA Preschool)	066142-PGS1-2012	84.173	1,945
Total Special Education Cluster (IDEA)			21,770
Passed Through Ohio Department of Health			
Special Education - Grants for Infants and Families	05610021HG0312	84.181	24,107
	05610021HG0413		6,495
Total Special Education - Grants for Infants and Families			30,602
Total U.S. Department of Education			52,372
U.S. ELECTION ASSISTANCE COMMISSION			
Passed Through Ohio Secretary of State			
Help America Vote Act Requirements Payments	06-SOS-HHHS-56	90.401	388
Voting Access for Individuals with Disabilities-Grants to States	06-SOS-HHHS-56	93.617	4,866
Total U.S. Election Assistance Commission			5,254
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through Ohio Department of Mental Health			
Promoting Safe and Stable Families	5AU-12-100-22-57	93.556	13,908
	5AU-13-100-22-57		5,353
Total Promoting Safe and Stable Families			19,261

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

FEDERAL GRANTOR *Pass Through Grantor* Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)			
Passed Through Ohio Department of Developmental Disabilities			
Social Services Block Grant	N/A	93.667	$10,669
Passed through Ohio Department of Jobs and Family Services			
Promoting Safe and Stable Families	G-1011-11-5086	93.556	8,196
Temporary Assistance for Needy Families (TANF) State Programs	G-1011-11-5086	93.558	564,194
Child Support Enforcement	G-1011-11-5086	93.563	116,667
Child Care and Development:			
Child Care and Development Block Grant	G-1011-11-5086	93.575	24,516
Foster Care-Title IV-E:			
Foster Care Title IV-E Administration	G-1011-11-5086	93.658	2,404
Adoption Assistance:			
Adoption Assistance Administration	G-1011-11-5086	93.659	16,992
Social Services Block Grant	G-1011-11-5086	93.667	204,484
Chafee Foster Care Independence Program	G-1011-11-5086	93.674	1,447
Medical Assistance Program	G-1011-11-5086	93.778	222,343
Total U.S. Department of Health and Human Services			1,191,173
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through Ohio Department of Public Safety - Emergency Management Agency			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	FEMA-4002-DR-111-99111	97.036	449,739
	FEMA-4077-DR-111-10560		3,053
Total Disaster Grants - Public Assistance			452,792
Emergency Management Performance Grants:			
FY11 Emergency Management Performance Grants	2011-EP-00003-S01	97.042	14,112
FY12 Emergency Management Performance Grants	2012-EP-00004-S01		5,556
Total Emergency Management Performance Grants			19,668
Homeland Security Grant Program:			
FY09 State Homeland Security Program	2009-SS-T9-0089	97.067	9,300
FY10 State Homeland Security Program	2010-SS-T0-0012		14,806
Total Homeland Security Grant Program			24,106
Passed Through Port of Pittsburgh Commission			
Port Security Grant Program			
FY10 Port Security Grant Program	2010-PU-TO-K008	97.056	67,655
Total U.S. Department of Homeland Security			564,221
Total Federal Awards Expenditures			**$4,333,793**

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

NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SUBRECIPIENTS

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

As a subrecipient, the County has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

NOTE C - CHILD NUTRITION CLUSTER

The County commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the County assumes it expends federal monies first.

NOTE D - FOOD DONATION PROGRAM

The County reports commodities consumed on the Schedule at the fair value. The County allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

NOTE E - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

The County has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low to moderate income persons. The federal Department of Housing and Urban Development (HUD) grants money for these loans to the County, passed through the Ohio Department of Development. The Schedule reports loans made and administrative costs as disbursements on the Schedule. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans.

These loans are collateralized by mortgages on the property and/or equipment located at various businesses.

Activity in the CDBG revolving loan fund during 2012 is as follows:

Beginning loans receivable balance as of January 1, 2012	$104,387
Loans made	10,362
Loan principal repaid	(43,380)
Ending loans receivable balance as of December 31, 2012	$71,369
Cash balance on hand in the revolving loan fund as of December 31, 2012	$93,530
Administrative costs expended during 2012	10,185
Community Project waivers expended during 2012	65,500

The table above reports gross loans receivable. Of the loans receivable as of December 31, 2012, the County estimates $0 to be uncollectible.

NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

NOTE F - MATCHING REQUIREMENTS

Certain Federal programs require the County to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

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

Monroe County
101 North Main Street
Woodsfield, Ohio 43793

To the Board of County Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Monroe County, Ohio (the County), as of and for the year ended December 31,2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 26, 2013, wherein we noted the County has adopted Governmental Accounting Standards Board Statement No's. 63 and 65.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the County's internal control. Accordingly, we have not opined on it.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the County's financial statements. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dave Yost

Dave Yost
Auditor of State

Columbus, Ohio

August 26, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Monroe County
101 North Main Street
Woodsfield, Ohio 43793

To the Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Monroe County, Ohio's (the County), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the County's major federal programs for the year ended December 31, 2012. The *Summary of Audit Results* in the accompanying Schedule of Findings identifies the County's major federal programs.

Management's Responsibility

The County's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the County's compliance for each of the County's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect 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 our audit provides a reasonable basis for our compliance opinion on the County's major programs. However, our audit does not provide a legal determination of the County's compliance.

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Basis for Qualified Opinion on Workforce Investment Act (WIA) Cluster and WIA National Emergency Grants

As described in Finding 2012-01 in the accompanying Schedule of Findings, the County did not comply with requirements regarding cash management applicable to its WIA Cluster and WIA National Emergency Grants major federal programs. Compliance with this requirement is necessary, in our opinion, for the County to comply with requirements applicable to these programs.

Qualified Opinion on Workforce Investment Act (WIA) Cluster and WIA National Emergency Grants

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Workforce Investment Act (WIA) Cluster and WIA National Emergency Grants* paragraph, the County complied, in all material respects, with the requirements referred to above that could directly and materially affect its WIA Cluster and WIA National Emergency Grants major federal programs for the year ended December 31, 2012.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the County complied in all material respects with the requirements referred to above that could directly and materially affect each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings for the year ended December 31, 2012.

Other Matter

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

Report on Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the County's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as item 2012-01 to be a material weakness.

Entity Response

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

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Dave Yost

Dave Yost
Auditor of State

Columbus, Ohio

August 26, 2013

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MONROE COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2012

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material control weaknesses reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material internal control weaknesses reported for major federal programs?**	Yes
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified for all major programs, except for the WIA Cluster and WIA National Emergency Grants, which we qualified.
(d)(1)(vi)	**Are there any reportable findings under § .510(a)?**	Yes
(d)(1)(vii)	**Major Programs (list):** Workforce Investment Act (WIA) Cluster – CFDA #17.258; 17.259; and 17.278 WIA National Emergency Grants – CFDA #17.277 Highway Planning and Construction – CFDA #20.205 Medical Assistance Program – CFDA #93.778 Disaster Grants – Public Assistance – CFDA #97.036	
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	No

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

None.

3. FINDING FOR FEDERAL AWARDS

Finding Number	2012-01
CFDA Title and Number	Workforce Investment Act (WIA) Cluster – CFDA #17.258; #17.259; and #17.278 and WIA National Emergency Grants – CFDA #17.277
Federal Award Number / Year	2012
Federal Agency	U.S. Department of Labor
Pass-Through Agency	Workforce Investment Act Area 15

Noncompliance and Material Weakness - Cash Management

29 C.F.R. Section 97.20(b)(7) provides that procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees.

31 C.F.R. Section 205.33(a) provides that a State must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes. A Federal Program Agency must limit a funds transfer to a State to the minimum amounts needed by the State and must time the disbursement to be in accord with the actual, immediate cash requirements of the State in carrying out a Federal assistance program or project. The timing and amount of funds transfers must be as close as is administratively feasible to a State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs. States should exercise sound cash management in funds transfers to subgrantees in accordance with OMB Circular A-102.

The Ohio Department of Job and Family Services (ODJFS) currently has a ten day disbursement cycle. Excessive cash balances were maintained in the Workforce Investment Act (WIA) and the WIA National Emergency Grant funds. During 2012, 75% of the drawdowns were not expended within the required ten days.

Noncompliance with this requirement could cause the County to return any interest earned to ODJFS on these excess monies.

We recommend the Monroe County Department of Job and Family Services modify its cash management procedures for WIA funds to ensure the cash requests are for immediate needs.

3. FINDING FOR FEDERAL AWARDS (Continued)

Finding Number 2012-01 (Continued)

Noncompliance and Material Weakness - Cash Management (Continued)

Officials' Response and Corrective Action Plan: This issue has much to do with our flood program and sometimes having people included for pay and then finding out that they did not work or that the weather was not fit to work. The Monroe County Job and Family Services staff understands that the draws must be adjusted in the event this happens and were not always doing this. It has been taken care of since.

The County Auditor's office will try to monitor the WIA money as it comes in and is then spent.

Responsible contact persons – Jeanette Harter, Director of Monroe County Job and Family Services and Pandora Neuhart, County Auditor; Anticipated completion date – December 31, 2013.

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MONROE COUNTY 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
SEPTEMBER 5, 2013

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