



**Auditor of State  
Betty Montgomery**



**GUERNSEY COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report .....	1
Management's Discussion and Analysis .....	3
Modified Cash Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets – Modified Cash Basis .....	11
Statement of Activities – Modified Cash Basis .....	12
Fund Financial Statements:	
Statement of Modified Cash Basis Assets and Fund Balances – Governmental Funds .....	13
Reconciliation of Total Governmental Fund Balances to Net Assets – Modified Cash Assets of Governmental Activities .....	14
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances – Governmental Funds .....	15
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances of Governmental Funds to the Statement of Activities – Modified Cash Basis .....	16
Statement of Cash Receipts, Disbursements and Change in Cash Basis Fund Balance – Budget and Actual (Budget Basis) – General Fund .....	17
Statement of Cash Receipts, Disbursements and Change in Cash Basis Fund Balance – Budget and Actual (Budget Basis) – Public Assistance Fund .....	18
Statement of Cash Receipts, Disbursements and Change in Cash Basis Fund Balance – Budget and Actual (Budget Basis) – Motor Vehicle and Gasoline Tax Fund ...	19
Statement of Cash Receipts, Disbursements and Change in Cash Basis Fund Balance – Budget and Actual (Budget Basis) – Mental Retardation and Developmental Disabilities Fund .....	20
Statement of Cash Receipts, Disbursements and Change in Cash Basis Fund Balance – Budget and Actual (Budget Basis) – Children Services Fund .....	21
Statement of Fund Net Assets - Modified Cash Basis – Proprietary Funds .....	22
Statement of Receipts, Disbursements, and Changes in Fund Net Assets - Modified Cash Basis – Proprietary Funds .....	23
Statement of Fiduciary Assets and Liabilities – Modified Cash Basis – Agency Funds .....	24
Component Unit Financial Statements:	
Guernsey Industries – Statement of Net Assets .....	25
Guernsey Industries – Statement of Activities .....	26

GUERNSEY COUNTY

TABLE OF CONTENTS  
(Continued)

TITLE	PAGE
Notes to the Modified Cash Financial Statements .....	27
Schedule of Federal Awards Expenditures .....	67
Notes to the Schedule of Federal Awards Expenditures.....	70
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i> .....	71
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	73
Schedule of Findings - <i>OMB Circular A-133 §.505</i> .....	75
Schedule of Prior Audit Findings - <i>OMB Circular A-133 §.315(b)</i> .....	78
Corrective Action Plan - <i>OMB Circular A-133 §.315(c)</i> .....	79



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Guernsey County  
627 Wheeling Avenue  
Cambridge, Ohio 43725

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Guernsey County, Ohio (the County), as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Guernsey County Port Authority, the discretely presented component unit. Other auditors audited those financial statements. They have furnished their report thereon to us and we base our opinion, insofar as it relates to the amounts included for the Guernsey County Port Authority on the report of the other auditors. We also did not audit the financial statements of Guernsey Industries, Inc., a discretely presented component unit. Other auditors audited those financial statements. They have furnished their report thereon to us and we base our opinion, insofar as it relates to the amounts included for Guernsey Industries, Inc. on the report of the other auditors.

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

Ohio Administrative Code Section 117-2-03 (B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

Guernsey Industries, Inc., financial statements are presented as stand alone statements in accordance with generally accepted accounting principles.

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, the discretely presented component units (except Guernsey Industries, Inc.), each major fund, and the aggregate remaining fund information of Guernsey County, Ohio, as of December 31, 2004, and the respective changes in modified cash financial position and the respective budgetary comparison for the General, Public Assistance, Motor Vehicle and Gasoline Tax, Mental Retardation and Developmental Disabilities, and Children Services Funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

Also, in our opinion, based on our audit and the report of the other auditor, the financial statements of Guernsey Industries, Inc., present fairly, in all material respects, its financial position, as of December 31, 2004, and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

For the year ended December 31, 2004, the County revised its financial presentation comparable to the requirements of Government Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2005, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the financial statements that collectively comprise the County's basic financial statements. The Schedule of Federal Awards Expenditures presents additional information and is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. It is not a required part of the basic financial statements. We subjected this schedule to the auditing procedures applied in our audit of the County's basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.



**Betty Montgomery**  
Auditor of State

December 23, 2005

**Guernsey County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
*Unaudited*

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The discussion and analysis of Guernsey County's financial performance provides an overview of the County's financial activities for the year ended December 31, 2004, within the limitations of the County's modified cash basis accounting. Readers should also review the modified cash financial statements and notes to enhance their understanding of the County's financial performance.

### **Financial Highlights**

Key financial highlights for 2004 are as follows:

- Net modified cash assets of governmental activities decreased \$418,504.
- At the end of the current year, the County's governmental funds reported a combined ending fund balance of \$14,426,244, a decrease of \$645,521 from the prior year.

### **Using This Annual Financial Report**

This discussion and analysis is intended to serve as an introduction to Guernsey County's Modified Cash Financial Statements. Guernsey County's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

### **Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The County has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the County's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

### **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.

The *Statement of Net Assets - Modified Cash Basis* presents information on all of Guernsey County's modified cash assets, presented as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the cash and investments of Guernsey County are improving or deteriorating.

The *Statement of Activities - Modified Cash Basis* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs.

Both of the government-wide financial statements identify functions of Guernsey County that are principally supported by taxes and intergovernmental receipts (governmental activities). The governmental activities of Guernsey County include general government, judicial, public safety, public works, health, human services, and economic development and assistance.

**Guernsey County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
*Unaudited*

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In the statement of net assets and the statement of activities, the County is divided into three kinds of activities:

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

*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 Water and Sewer systems are reported here.

*Component Units* - The County's financial statements include financial data of the Guernsey County Port Authority. This component unit is described in the notes to the financial statements. Component units are separate and may buy, sell, lease, and mortgage property in their own name and can sue or be sued in their own name.

***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 objects. 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 our residents. The County's major governmental funds are the General Fund, the Public Assistance, Motor Vehicle and Gasoline Tax, Mental Retardation and Developmental Disabilities, and Children Services Special Revenue Funds, and the County Facilities Construction and Improvement Capital Projects Fund.

*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.

The County maintains a multitude of individual governmental funds. Information is presented separately on the governmental fund *Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balance* 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 two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities on the government-wide financial statements. The County uses enterprise funds to account for the Water Fund operations and Sewer Fund operations. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the County's other programs and activities. The Self-Insurance Fund accounts for the claims relating to the County's self-insured hospitalization program.

*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.



**Guernsey County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
*Unaudited*

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

**Government-Wide Financial Analysis**

As noted earlier, net assets - modified cash basis may serve over time as a useful indicator of a government's financial position. This is the first year for Guernsey County in implementing a new standard. Guernsey County has chosen to report on an *Other Comprehensive Basis of Accounting* in a format similar to that required by Governmental Accounting Statement No. 34. This statement requires a comparative analysis of government-wide data in the Management Discussion and Analysis (MD&A) section. Since this is the first year of implementing the new standard, comparative data is not available. In future years comparative data will be presented.

(Table 1)  
 Guernsey County's Net Assets - Modified Cash Basis

	<u>Governmental</u> Activities 2004	<u>Business-Type</u> Activities 2004	<u>Totals</u> 2004
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$13,939,957	\$534,345	\$14,474,302
Cash and Cash Equivalents with Fiscal and Escrow Agents	<u>790,533</u>	<u>0</u>	<u>790,533</u>
Investments	90,513	0	90,513
<i>Totals Assets</i>	14,821,003	534,345	15,355,348
<b>Net Assets</b>			
Restricted for:			
Capital Projects	2,975,952	0	2,975,952
Debt Service	<u>150,057</u>	<u>0</u>	<u>150,057</u>
Other Purposes	<u>10,588,768</u>	<u>0</u>	<u>10,588,768</u>
Unrestricted	1,106,226	534,345	1,640,571
<i>Total Net Assets</i>	\$14,821,003	\$534,345	\$15,355,348

An additional portion of the County's net assets, \$13,714,777 or 89 percent, represents resources that are subject to restrictions on how they can be used. The remaining balance of unrestricted assets, \$1,640,571, or 11 percent is to be used to meet the County's ongoing obligations to citizens and creditors.

Table 2 shows the changes in net assets for 2004.

**Guernsey County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
*Unaudited*

Table 2  
Changes in Net Assets

	Governmental Activities	Business-Type Activities	Total
	2004	2004	2004
<b>Receipts</b>			
Program Receipts			
Charges for Services and Sales	\$4,099,094	\$1,927,901	\$6,026,995
Operating Grants and Contributions	19,082,662	0	19,082,662
Capital Grants and Contributions	2,211,453	0	2,211,453
<i>Total Program Receipts</i>	<u>25,393,209</u>	<u>1,927,901</u>	<u>27,321,110</u>
General Receipts and Transfers			
Property Taxes	5,221,845	0	5,221,845
Sales Taxes	5,386,379	0	5,386,379
Grants and Entitlements	1,643,242	0	1,643,242
Investment Earnings	519,854	108	519,962
Notes Issued	405,000	0	405,000
Bond Anticipation Notes Issued	900,000	0	900,000
Premium on Debt Issued	3,027	0	3,027
Proceeds of OWDA Loans	0	20,676	20,676
Proceeds from Sale of Fixed Assets	302,801	0	302,801
Miscellaneous	338,985	11,331	350,316
Transfers	(34,674)	34,674	0
<i>Total General Receipts and Transfers</i>	<u>14,686,459</u>	<u>66,789</u>	<u>14,753,248</u>
<i>Total Receipts</i>	<u>40,079,668</u>	<u>1,994,690</u>	<u>42,074,358</u>
<b>Program Disbursements</b>			
General Government:			
Legislative and Executive	5,361,215	0	5,361,215
Judicial	2,886,575	0	2,886,575
Public Safety	3,634,760	0	3,634,760
Public Works	5,890,469	0	5,890,469
Health	5,649,452	0	5,649,452
Human Services	13,081,377	0	13,081,377
Economic Development and Assistance	616,925	0	616,925
Other	319,020	0	319,020
Capital Outlay	1,427,126	0	1,427,126
Intergovernmental	81,667	0	81,667
Debt Service			
Principal	1,104,185	0	1,104,185
Interest and Fiscal Charges	442,374	0	442,374
Issuance Costs	3,027	0	3,027
Sewer	0	238,690	238,690
Water	0	2,009,126	2,009,126
<i>Total Disbursements</i>	<u>40,498,172</u>	<u>2,247,816</u>	<u>42,745,988</u>
<i>Increase (Decrease) in Net Assets</i>	<u>(418,504)</u>	<u>(253,126)</u>	<u>(671,630)</u>
Net Assets Beginning of Year-Restated	15,239,507	787,471	16,026,978
Net Assets - End of Year	<u>\$14,821,003</u>	<u>\$534,345</u>	<u>\$15,355,348</u>

**Guernsey County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
*Unaudited*

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Operating grants were the largest program receipts, accounting for \$19,082,662 or 48 percent of total governmental activities receipts.

Property tax receipts account for \$5,221,845 or 13 percent of total governmental receipts. Another major component of general governmental receipts was permissive sales taxes, which accounted for \$5,386,379 or 13 percent of total receipts.

The County's direct charges to users of governmental services made up \$4,099,094 or 10 percent of total governmental receipts. These charges are for fees associated with the collection of property taxes, fines and forfeitures related to judicial activity, and licenses and permits.

Human services programs accounted for \$13,081,377, or 32 percent of total disbursements for governmental activities. Other major program disbursements for governmental activities include public works, which accounted for \$5,890,469 or 14 percent of total disbursements and health services, which accounted for \$5,649,452, or 13 percent of total disbursements.

Table 3, for governmental activities, indicates the total cost of services and the net cost of services for 2004. The statement of activities reflects the cost of program services and the charges for services, and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax receipts and unrestricted intergovernmental receipts.

Table 3  
 Governmental Activities

	Total Cost of Services 2004	Net Cost of Services 2004
General Government:		
Legislative and Executive	\$5,361,215	\$3,356,436
Judicial	2,886,575	1,641,665
Public Safety	3,634,760	2,743,000
Public Works	5,890,469	(645,108)
Health	5,649,452	3,294,982
Human Services	13,081,377	1,175,957
Economic Development and Assistance	616,925	160,632
Miscellaneous	319,020	319,020
Capital Outlay	1,427,126	1,427,126
Intergovernmental	81,667	81,667
Debt Service		
Principal	1,104,185	1,104,185
Interest and Fiscal Charges	442,374	442,374
Issuance Costs	3,027	3,027
Total Disbursements	\$40,498,172	\$15,104,963

Charges for services, operating grants, and capital grants of \$25,393,209, or 63 percent of the total costs of services, are received and used to fund the general government disbursements of the County. The remaining \$15,104,963 in general government disbursements is funded by property taxes, permissive sales taxes, intergovernmental receipts, interest, and miscellaneous receipts.

The \$3,294,982 in net cost of services for health demonstrates the costs of services that are not supported from state and federal resources. As such, the taxpayers have approved property tax levies for several programs including the Mental Retardation and Developmental Disabilities and County Home.

**Guernsey County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
*Unaudited*

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**Financial Analysis of County Funds**

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

*Governmental Funds* - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the County's net resources available for spending at the end of the year.

As of December 31, 2004, the County's governmental funds reported a combined ending fund balance of \$14,426,244, a decrease of \$645,521 in comparison with the prior year. Approximately \$14,229,241, or 99 percent of this total, constitutes unreserved undesignated fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior year (\$95,672) or a variety of other restricted purposes (\$101,331). While the bulk of the governmental fund balances are not reserved in the governmental fund statements, they lead to restricted net assets on the Statement of Net Assets due to expenditure restrictions mandated by the source of the resource, such as the state or federal government.

The General Fund is the primary operating fund of the County. At the end of 2004, unreserved fund balance was \$659,774, while total fund balance was \$812,798. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund disbursements. Unreserved fund balance represents 6 percent to total General Fund disbursements, while total fund balance represents 8 percent of that same amount.

The fund balance of the County's General Fund decreased by \$659,686 during 2004. The primary reason for the decrease was an increase in disbursements, coupled with a decline in revenue.

At the end of 2004 the Public Assistance Special Revenue Fund had a fund balance of \$827,153, in comparison to a fund balance of \$945,012 at the end of 2003. This change is primarily due to increased disbursements from the prior year.

At the end of 2004 the Motor Vehicle and Gasoline Tax Special Revenue Fund had a fund balance of \$616,841, in comparison to a fund balance of \$498,074 at the end of 2003. This increase is primarily due to an increase in revenue.

At the end of 2004 the Mental Retardation and Developmental Disabilities Special Revenue Fund had a fund balance of \$5,844,063, in comparison to a fund balance of \$5,291,642 at the end of 2003. This increase is primarily due to decreased disbursements from the prior year.

At the end of 2004 the Childrens Services Special Revenue Fund had a fund balance of \$1,674,556, in comparison to a fund balance of \$1,612,143 at the end of 2003. This change is primarily due to decreased disbursements from the prior year.

At the end of 2004, the County Facilities Construction and Improvement Capital Projects Fund had a fund balance of \$2,374,764, a decrease of \$574,538 from the end of 2003. This change is largely due to spending of the cash balance for the capitalization of assets.

**Guernsey County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
*Unaudited*

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*Business-Type Activities* – As of December 31, 2004, business-type funds of the County reported net assets of \$534,345. This is a decrease of \$253,126 during 2004.

**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. The Board of County Commissioners adopts a permanent annual operating budget for the County on or about January 1.

For the General Fund, changes from the original budget to the final budget have been minimal. Fluctuations in growth and diversity have typically not occurred in Guernsey County, allowing department managers the ability to consistently predict receipts and disbursements.

**Economic Factors**

The unemployment rate for the County is currently 9.6 percent, which is a decrease from .2 percent a year ago. This rate exceeds the State's current rate of 6.2 percent and the current national rate of 5.2 percent.

The County's \$227.294 million tax base has increased 2.6 percent over the last three years. This increase is attributed to an increase in the County's real estate tax values. Real property values within the County have risen over the past several years, and are now at an all time high.

The various economic factors were considered in the preparation of the County's 2004 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: Tony Brown, Guernsey County Auditor, 801 Wheeling Avenue, Cambridge, Ohio 43725.

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**Guernsey County, Ohio**  
**Statement of Net Assets - Modified Cash Basis**  
**December 31, 2004**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Guernsey County Port Authority
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$13,939,957	\$534,345	\$14,474,302	\$0
Cash and Cash Equivalents	0	0	0	5,621
Cash and Cash Equivalents with with Fiscal and Escrow Agents	790,533	0	790,533	0
Investments	90,513	0	90,513	0
<i>Total Assets</i>	<u>\$14,821,003</u>	<u>\$534,345</u>	<u>\$15,355,348</u>	<u>\$5,621</u>
<b>Net Assets</b>				
Restricted for:				
Capital Projects	\$2,975,952	\$0	\$2,975,952	\$0
Debt Service	150,057	0	150,057	0
Other Purposes	10,588,768	0	10,588,768	0
Unrestricted	1,106,226	534,345	1,640,571	5,621
<i>Total Net Assets</i>	<u>\$14,821,003</u>	<u>\$534,345</u>	<u>\$15,355,348</u>	<u>\$5,621</u>

See accompanying notes to the basic financial statements

**Guernsey County, Ohio**  
**Statement of Activities - Modified Cash Basis**  
**For the Year Ended December 31, 2004**

	Program Receiptss				Net (Disbursement) Receipt and Changes in Net Assets			Component Unit Guernsey County Port Authority
	Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
<b>Primary Government:</b>								
Governmental Activities:								
General Government:								
Legislative and Executive	\$5,361,215	\$1,783,436	\$221,343	\$0	(\$3,356,436)	\$0	(\$3,356,436)	\$0
Judicial	2,886,575	790,927	453,983	0	(1,641,665)	0	(1,641,665)	0
Public Safety	3,634,760	315,973	575,787	0	(2,743,000)	0	(2,743,000)	0
Public Works	5,890,469	477,693	3,846,431	2,211,453	645,108	0	645,108	0
Health	5,649,452	464,894	1,889,576	0	(3,294,982)	0	(3,294,982)	0
Human Services	13,081,377	266,171	11,639,249	0	(1,175,957)	0	(1,175,957)	0
Economic Development and Assistance	616,925	0	456,293	0	(160,632)	0	(160,632)	0
Other	319,020	0	0	0	(319,020)	0	(319,020)	0
Capital Outlay	1,427,126	0	0	0	(1,427,126)	0	(1,427,126)	0
Intergovernmental	81,667	0	0	0	(81,667)	0	(81,667)	0
Interest and Fiscal Charges	442,374	0	0	0	(442,374)	0	(442,374)	0
Principal Retirements	1,104,185	0	0	0	(1,104,185)	0	(1,104,185)	0
Issuance Costs	3,027	0	0	0	(3,027)	0	(3,027)	0
<i>Total Governmental Activities</i>	<u>40,498,172</u>	<u>4,099,094</u>	<u>19,082,662</u>	<u>2,211,453</u>	<u>(15,104,963)</u>	<u>0</u>	<u>(15,104,963)</u>	<u>0</u>
Business-Type Activities:								
Sewer	238,690	196,738	0	0	0	(41,952)	(41,952)	0
Water	2,009,126	1,731,163	0	0	0	(277,963)	(277,963)	0
<i>Total Business-Type Activities</i>	<u>2,247,816</u>	<u>1,927,901</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(319,915)</u>	<u>(319,915)</u>	<u>0</u>
<i>Total Primary Government</i>	<u>\$42,745,988</u>	<u>\$6,026,995</u>	<u>\$19,082,662</u>	<u>\$2,211,453</u>	<u>(\$15,104,963)</u>	<u>(\$319,915)</u>	<u>(\$15,424,878)</u>	<u>\$0</u>
<b>Component Unit:</b>								
Guernsey County Port Authority	<u>\$252,553</u>	<u>\$1,500</u>	<u>\$42,558</u>	<u>\$0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(208,495)</u>
<b>General Receiptss</b>								
Property Taxes Levied for General Purposes					1,308,597	0	1,308,597	0
Property Taxes Levied for:								
Health Levy					313,533	0	313,533	0
County Home					41,182	0	41,182	0
Children Services					895,817	0	895,817	0
Mental Retardation and Developmental Disabilities					2,250,909	0	2,250,909	0
Senior Citizens Levy					411,807	0	411,807	0
Sales Taxes Levied for General Purposes					5,333,739	0	5,333,739	0
Sales Taxes Levied for Other Purposes					52,640	0	52,640	0
Grants and Entitlements not Restricted to Specific Programs					1,643,242	0	1,643,242	0
Investment Earnings					519,854	108	519,962	860
Notes Issued					405,000	0	405,000	0
Bond Anticipation Notes Issued					900,000	0	900,000	0
Premium on Debt Issued					3,027	0	3,027	0
Proceeds of OWDA Loans					0	20,676	20,676	0
Proceeds from Sale of Fixed Assets					302,801	0	302,801	211,400
Miscellaneous					338,985	11,331	350,316	0
Transfers					(34,674)	34,674	0	0
<i>Total General Receiptss and Transfers</i>					<u>14,686,459</u>	<u>66,789</u>	<u>14,753,248</u>	<u>212,260</u>
Change in Net Assets					(418,504)	(253,126)	(671,630)	3,765
Net Assets Beginning of Year - Restated (See Note 3)					<u>15,239,507</u>	<u>787,471</u>	<u>16,026,978</u>	<u>1,856</u>
Net Assets End of Year					<u>\$14,821,003</u>	<u>\$534,345</u>	<u>\$15,355,348</u>	<u>\$5,621</u>

See accompanying notes to the basic financial statements



**Guernsey County, Ohio**  
**Statement of Modified Cash Basis Assets and Fund Balances**  
**Governmental Funds**  
**December 31, 2004**

	General	Public Assistance	Motor Vehicle and Gasoline Tax	Mental Retardation and Developmental Disabilities	Children Services	County Facilities Construction and Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>								
Equity in Pooled Cash and Cash Equivalents	\$812,798	\$827,153	\$616,841	\$5,053,530	\$1,584,043	\$2,374,764	\$2,276,069	\$13,545,198
Cash and Cash Equivalents with Fiscal and Escrow Agents	0	0	0	790,533	0	0	0	790,533
Investments	0	0	0	0	90,513	0	0	90,513
<i>Total Assets</i>	<u>\$812,798</u>	<u>\$827,153</u>	<u>\$616,841</u>	<u>\$5,844,063</u>	<u>\$1,674,556</u>	<u>\$2,374,764</u>	<u>\$2,276,069</u>	<u>\$14,426,244</u>
<b>Fund Balances</b>								
Reserved for Encumbrances	\$51,693	\$0	\$0	\$0	\$0	\$0	\$43,979	\$95,672
Reserved for Unclaimed Monies	101,331	0	0	0	0	0	0	101,331
Unreserved:								
Undesignated, Reported in:								
General Fund	659,774	0	0	0	0	0	0	659,774
Special Revenue Funds	0	827,153	616,841	5,844,063	1,674,556	0	1,480,845	10,443,458
Debt Service Funds	0	0	0	0	0	0	150,057	150,057
Capital Projects Funds	0	0	0	0	0	2,374,764	601,188	2,975,952
<i>Total Fund Balances</i>	<u>\$812,798</u>	<u>\$827,153</u>	<u>\$616,841</u>	<u>\$5,844,063</u>	<u>\$1,674,556</u>	<u>\$2,374,764</u>	<u>\$2,276,069</u>	<u>\$14,426,244</u>

See accompanying notes to the basic financial statements

**Guernsey County, Ohio**  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Assets - Modified Cash Assets of Governmental Activities**  
**December 31, 2004**

**Total Governmental Fund Balances** \$14,426,244

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

An internal service fund is used by management to charge the costs  
of insurance to individual funds. The assets of the internal service fund  
are included in governmental activities in the statement of net assets.

394,759

**Net Assets of Governmental Activities**

\$14,821,003

See accompanying notes to the basic financial statements

**Guernsey County, Ohio**  
**Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2004**

	General	Public Assistance	Motor Vehicle and Gasoline Tax	Mental Retardation and Developmental Disabilities	Children Services	County Facilities Construction and Improvement	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>								
Property and Other Local Taxes	\$1,308,597	\$0	\$0	\$2,250,909	\$895,817	\$0	\$766,522	\$5,221,845
Sales Taxes	5,333,739	0	0	0	0	0	52,640	5,386,379
Permissive Motor Vehicle License Tax	0	0	144,947	0	0	0	0	144,947
Special Assessments	0	0	0	0	0	0	50,263	50,263
Charges for Services	1,717,010	0	0	86,172	30,644	0	1,214,323	3,048,149
Licenses and Permits	29,287	0	0	0	0	0	59,699	88,986
Fines and Forfeitures	225,638	0	242,807	0	0	0	36,618	505,063
Intergovernmental	1,433,957	7,792,211	3,840,721	2,179,993	2,116,912	0	5,463,441	22,827,235
Interest	478,785	0	5,710	0	1,635	11,604	30,106	527,840
Rent	149,485	0	0	0	0	35,388	127,076	311,949
Contributions and Donations	0	0	0	15,338	36,535	0	0	51,873
Other	62,321	0	0	94,743	3,254	0	178,667	338,985
<i>Total Receipts</i>	<u>10,738,819</u>	<u>7,792,211</u>	<u>4,234,185</u>	<u>4,627,155</u>	<u>3,084,797</u>	<u>46,992</u>	<u>7,979,355</u>	<u>38,503,514</u>
<b>Disbursements</b>								
Current:								
General Government:								
Legislative and Executive	4,744,963	0	0	0	0	41,174	629,449	5,415,586
Judicial	2,218,345	0	0	0	0	0	669,883	2,888,228
Public Safety	2,636,308	0	0	0	0	0	1,033,841	3,670,149
Public Works	167,525	0	3,487,307	0	0	1,264,935	1,005,955	5,925,722
Health	47,827	0	0	4,047,343	0	0	1,566,554	5,661,724
Human Services	229,307	7,947,240	0	0	2,654,242	0	2,298,471	13,129,260
Economic Development and Assistance	80,899	0	0	0	0	0	536,026	616,925
Other	319,020	0	0	0	0	0	0	319,020
Capital Outlay	68,848	151,651	560,795	27,391	43,516	0	574,925	1,427,126
Intergovernmental	81,667	0	0	0	0	0	0	81,667
Debt Service:								
Principal Retirement	0	0	0	0	0	0	1,104,185	1,104,185
Interest and Fiscal Charges	0	0	0	0	0	0	442,374	442,374
Issuance Costs	0	0	0	0	0	1,314	1,713	3,027
<i>Total Disbursements</i>	<u>10,594,709</u>	<u>8,098,891</u>	<u>4,048,102</u>	<u>4,074,734</u>	<u>2,697,758</u>	<u>1,307,423</u>	<u>9,863,376</u>	<u>40,684,993</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>144,110</u>	<u>(306,680)</u>	<u>186,083</u>	<u>552,421</u>	<u>387,039</u>	<u>(1,260,431)</u>	<u>(1,884,021)</u>	<u>(2,181,479)</u>
<b>Other Financing Sources (Uses):</b>								
Proceeds of Notes	0	0	0	0	0	0	405,000	405,000
Bond Anticipations Notes Issued	0	0	0	0	0	900,000	0	900,000
Premium on Debt Issued	0	0	0	0	0	1,314	1,713	3,027
Proceeds from Sale of Fixed Assets	184,400	0	0	0	0	0	118,401	302,801
Transfers In	182,610	188,821	23,470	0	73	0	1,514,478	1,909,452
Transfers Out	(1,170,806)	0	(90,786)	0	(324,699)	(215,421)	(182,610)	(1,984,322)
<i>Total Other Financing Sources (Uses)</i>	<u>(803,796)</u>	<u>188,821</u>	<u>(67,316)</u>	<u>0</u>	<u>(324,626)</u>	<u>685,893</u>	<u>1,856,982</u>	<u>1,535,958</u>
<i>Net Change in Fund Balances</i>	<u>(659,686)</u>	<u>(117,859)</u>	<u>118,767</u>	<u>552,421</u>	<u>62,413</u>	<u>(574,538)</u>	<u>(27,039)</u>	<u>(645,521)</u>
Fund Balances Beginning of Year - Restated (See Note 3)	<u>1,472,484</u>	<u>945,012</u>	<u>498,074</u>	<u>5,291,642</u>	<u>1,612,143</u>	<u>2,949,302</u>	<u>2,303,108</u>	<u>15,071,765</u>
<i>Fund Balances End of Year</i>	<u>\$812,798</u>	<u>\$827,153</u>	<u>\$616,841</u>	<u>\$5,844,063</u>	<u>\$1,674,556</u>	<u>\$2,374,764</u>	<u>\$2,276,069</u>	<u>\$14,426,244</u>

See accompanying notes to the basic financial statements

**Guernsey County, Ohio**  
**Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances**  
**of Governmental Funds to the Statement of Activities - Modified Cash Basis**  
**For the Year Ended December 31, 2004**

**Net Change in Fund Balances - Governmental Funds** (\$645,521)

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

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net expenses of the internal service fund is allocated among the governmental activities.

227,017

**Change in Net Assets of Governmental Activities**

(\$418,504)

See accompanying notes to the basic financial statements

**Guernsey County, Ohio**  
**Statement of Cash Receipts, Disbursements and Change in**  
**Cash Basis Fund Balance - Budget and Actual (Budget Basis)**  
**General Fund**  
**For the Year Ended December 31, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$1,209,085	\$1,209,085	\$1,302,739	\$93,654
Sales Taxes	5,394,576	5,394,576	5,333,739	(60,837)
Charges for Services	1,594,790	1,604,408	1,717,010	112,602
Licenses and Permits	39,200	39,200	29,287	(9,913)
Fines and Forfeitures	195,484	232,824	225,638	(7,186)
Intergovernmental	1,379,221	1,400,350	1,433,957	33,607
Interest	461,000	468,800	481,758	12,958
Rent	135,653	135,653	149,485	13,832
Other	10,293	10,293	62,321	52,028
<i>Total Receipts</i>	10,419,302	10,495,189	10,735,934	240,745
<b>Disbursements</b>				
Current:				
General Government -				
Legislative and Executive	5,689,642	5,013,216	4,751,179	262,037
Judicial	2,212,850	2,245,812	2,234,717	11,095
Public Safety	2,805,493	2,732,842	2,665,308	67,534
Public Works	143,115	201,040	167,525	33,515
Health	48,547	47,827	47,827	0
Human Services	235,560	231,992	229,307	2,685
Economic Development and Assistance	124,715	117,389	80,899	36,490
Other	325,412	319,020	319,020	0
Capital Outlay	91,403	69,705	68,954	751
Intergovernmental	142,859	87,386	81,667	5,719
<i>Total Disbursements</i>	11,819,596	11,066,229	10,646,403	419,826
<i>Excess of Receipts Over (Under) Disbursements</i>	(1,400,294)	(571,040)	89,531	660,571
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Fixed Assets	200,000	200,000	184,400	(15,600)
Transfers In	699,942	917,558	182,610	(734,948)
Transfers Out	(772,601)	(1,881,193)	(1,170,806)	710,387
<i>Total Other Financing Sources (Uses)</i>	127,341	(763,635)	(803,796)	(40,161)
<i>Net Change in Fund Balance</i>	(1,272,953)	(1,334,675)	(714,265)	620,410
Fund Balance at Beginning of Year - Restated (See Note 3)	1,325,794	1,325,794	1,325,794	0
Prior Year Encumbrances Appropriated	62,533	62,533	62,533	0
<i>Fund Balance at End of Year</i>	\$115,374	\$53,652	\$674,062	\$620,410

See accompanying notes to the basic financial statements

**Guernsey County, Ohio**  
**Statement of Cash Receipts, Disbursements and Change in**  
**Cash Basis Fund Balance - Budget and Actual (Budget Basis)**  
**Public Assistance Fund**  
**For the Year Ended December 31, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Intergovernmental	\$9,194,650	\$10,394,650	\$7,791,676	(\$2,602,974)
<i>Total Receipts</i>	<u>9,194,650</u>	<u>10,394,650</u>	<u>7,791,676</u>	<u>(2,602,974)</u>
<b>Disbursements</b>				
Current:				
Human Services	10,038,662	11,133,662	7,947,240	3,186,422
Capital Outlay	101,000	206,000	151,651	54,349
<i>Total Disbursements</i>	<u>10,139,662</u>	<u>11,339,662</u>	<u>8,098,891</u>	<u>3,240,771</u>
<i>Excess of Receipts Under Disbursements</i>	(945,012)	(945,012)	(307,215)	637,797
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	100,000	188,821	88,821
Transfers Out	0	(100,000)	0	100,000
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>188,821</u>	<u>188,821</u>
<i>Net Change in Fund Balance</i>	(945,012)	(945,012)	(118,394)	826,618
Fund Balance at Beginning of Year - Restated (See Note 3)	<u>945,012</u>	<u>945,012</u>	<u>945,012</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$826,618</u></u>	<u><u>\$826,618</u></u>

See accompanying notes to the basic financial statements

**Guernsey County, Ohio**  
**Statement of Cash Receipts, Disbursements and Change in**  
**Cash Basis Fund Balance - Budget and Actual (Budget Basis)**  
**Motor Vehicle and Gasoline Tax Fund**  
**For the Year Ended December 31, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Permissive Motor Vehicle License Tax	\$180,000	\$180,000	\$144,947	(\$35,053)
Fines and Forfeitures	315,000	315,000	242,807	(72,193)
Intergovernmental	3,330,000	3,330,000	3,840,721	510,721
Interest	4,200	4,200	5,497	1,297
<i>Total Receipts</i>	<u>3,829,200</u>	<u>3,829,200</u>	<u>4,233,972</u>	<u>404,772</u>
<b>Disbursements</b>				
Current:				
Public Works	4,259,072	4,251,088	3,487,307	763,781
Capital Outlay	235,000	185,000	560,795	(375,795)
Debt Service				
Principal Retirements	32,802	0	0	0
<i>Total Disbursements</i>	<u>4,526,874</u>	<u>4,436,088</u>	<u>4,048,102</u>	<u>387,986</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(697,674)	(606,888)	185,870	792,758
<b>Other Financing Sources (Uses)</b>				
Operating Transfers In	200,000	200,000	23,470	(176,530)
Operating Transfers Out	0	(90,786)	(90,786)	0
<i>Total Other Financing Sources (Uses)</i>	<u>200,000</u>	<u>109,214</u>	<u>(67,316)</u>	<u>(176,530)</u>
<i>Net Change in Fund Balance</i>	(497,674)	(497,674)	118,554	616,228
Fund Balance at Beginning of Year - Restated (See Note 3)	<u>497,674</u>	<u>497,674</u>	<u>497,674</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$616,228</u></u>	<u><u>\$616,228</u></u>

See accompanying notes to the basic financial statements

**Guernsey County, Ohio**  
**Statement in Cash Receipts, Disbursements and Change in**  
**Cash Basis Fund Balance - Budget and Actual (Budget Basis)**  
**Mental Retardation and Developmental Disabilities Fund**  
**For the Year Ended December 31, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$2,082,533	\$2,082,533	\$2,237,389	\$154,856
Charges for Services	84,775	84,775	86,172	1,397
Intergovernmental	2,103,431	2,052,995	2,179,993	126,998
Contributions and Donations	13,000	13,000	15,338	2,338
Other	18,500	18,500	94,743	76,243
<i>Total Receipts</i>	<u>4,302,239</u>	<u>4,251,803</u>	<u>4,613,635</u>	<u>361,832</u>
<b>Disbursements</b>				
Current:				
Health	5,996,186	5,948,750	4,047,343	1,901,407
Capital Outlay	66,500	62,500	27,391	35,109
<i>Total Disbursements</i>	<u>6,062,686</u>	<u>6,011,250</u>	<u>4,074,734</u>	<u>1,936,516</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(1,760,447)	(1,759,447)	538,901	2,298,348
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	13,669	0	(13,669)
Transfers Out	0	(13,669)	0	13,669
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(1,760,447)	(1,759,447)	538,901	2,298,348
Fund Balance at Beginning of Year - Restated (See Note 3)	<u>5,170,232</u>	<u>5,170,232</u>	<u>5,170,232</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$3,409,785</u></u>	<u><u>\$3,410,785</u></u>	<u><u>\$5,709,133</u></u>	<u><u>\$2,298,348</u></u>

See accompanying notes to the basic financial statements



**Guernsey County, Ohio**  
**Statement of Cash Receipts, Disbursements and Change in**  
**Cash Basis Fund Balance - Budget and Actual (Budget Basis)**  
**Children Services Fund**  
**For the Year Ended December 31, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$830,020	\$830,020	\$891,310	\$61,290
Charges for Services	40,000	42,000	30,644	(11,356)
Intergovernmental	1,624,478	1,663,187	2,074,380	411,193
Interest	5,000	4,339	1,090	(3,249)
Contributions and Donations	500	500	36,535	36,035
Other	1,100	1,100	3,254	2,154
<i>Total Receipts</i>	<u>2,501,098</u>	<u>2,541,146</u>	<u>3,037,213</u>	<u>496,067</u>
<b>Disbursements</b>				
Current:				
Human Services	4,032,482	3,722,231	2,654,242	1,067,989
Capital Outlay	40,000	65,600	43,516	22,084
<i>Total Disbursements</i>	<u>4,072,482</u>	<u>3,787,831</u>	<u>2,697,758</u>	<u>1,090,073</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(1,571,384)	(1,246,685)	339,455	1,586,140
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	73	73
Transfers Out	0	(324,699)	(324,699)	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(324,699)</u>	<u>(324,626)</u>	<u>73</u>
<i>Net Change in Fund Balance</i>	(1,571,384)	(1,571,384)	14,829	1,586,213
Fund Balance at Beginning of Year - Restated (See Note 3)	<u>1,571,385</u>	<u>1,571,385</u>	<u>1,571,385</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$1</u></u>	<u><u>\$1</u></u>	<u><u>\$1,586,214</u></u>	<u><u>\$1,586,213</u></u>

See accompanying notes to the basic financial statements

**Guernsey County, Ohio**  
**Statement of Fund Net Assets - Modified Cash Basis**  
**Proprietary Funds**  
**December 31, 2004**

	<u>Business - Type Activities - Enterprise Funds</u>			Governmental
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	Activities- Internal Service Fund
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	<u>\$172,366</u>	<u>\$361,979</u>	<u>\$534,345</u>	<u>\$394,759</u>
<b>Net Assets</b>				
Unrestricted	<u>\$172,366</u>	<u>\$361,979</u>	<u>\$534,345</u>	<u>\$394,759</u>

See accompanying notes to the basic financial statements

**Guernsey County, Ohio**  
**Statement of Receipts, Disbursements and Changes in Fund Net Assets - Modified Cash Basis**  
**Proprietary Funds**  
**For the Year Ended December 31, 2004**

	<u>Business Type Activities - Enterprise Funds</u>			Governmental Activities- Internal Service Fund
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	
<b>Operating Receipts</b>				
Charges for Services	\$196,738	\$1,567,709	\$1,764,447	\$3,445,047
Tap-In Fees	0	163,454	163,454	0
<i>Total Operating Receipts</i>	<u>196,738</u>	<u>1,731,163</u>	<u>1,927,901</u>	<u>3,445,047</u>
<b>Operating Disbursements</b>				
Personal Services	65,060	341,505	406,565	0
Fringe Benefits	17,056	160,248	177,304	0
Contractual Services	119,904	911,087	1,030,991	255,440
Materials and Supplies	8,526	135,331	143,857	0
Claims	0	0	0	3,002,786
Capital Outlay	0	253,726	253,726	0
Other	7,468	19,402	26,870	0
<i>Total Operating Disbursements</i>	<u>218,014</u>	<u>1,821,299</u>	<u>2,039,313</u>	<u>3,258,226</u>
<i>Operating Income (Loss)</i>	<u>(21,276)</u>	<u>(90,136)</u>	<u>(111,412)</u>	<u>186,821</u>
<b>Non-Operating Receipts (Disbursements)</b>				
Interest	0	108	108	0
Proceeds from OWDA Loans	20,676	0	20,676	0
Other Non-Operating Receipts	49	11,282	11,331	0
Principal Retirements	0	(116,770)	(116,770)	0
Interest and Fiscal Charges	(20,676)	(71,057)	(91,733)	0
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>49</u>	<u>(176,437)</u>	<u>(176,388)</u>	<u>0</u>
<i>Income (Loss) Before Contributions and Transfers</i>	<u>(21,227)</u>	<u>(266,573)</u>	<u>(287,800)</u>	<u>186,821</u>
Transfers In	0	64,674	64,674	40,196
Transfers Out	0	(30,000)	(30,000)	0
<i>Change in Net Assets</i>	<u>(21,227)</u>	<u>(231,899)</u>	<u>(253,126)</u>	<u>227,017</u>
Net Assets Beginning of Year				
Restated (See Note 3)	<u>193,593</u>	<u>593,878</u>	<u>787,471</u>	<u>167,742</u>
<i>Net Assets (Deficit) End of Year</i>	<u>\$172,366</u>	<u>\$361,979</u>	<u>\$534,345</u>	<u>\$394,759</u>

See accompanying notes to the basic financial statements

**Guernsey County, Ohio**  
**Statement of Fiduciary Assets and Liabilities - Modified Cash Basis**  
**Agency Funds**  
**December 31, 2004**

<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,839,432</u>
<i>Total Assets</i>	<u><u>\$1,839,432</u></u>
<b>Liabilities</b>	
Intergovernmental Payable	\$1,154,778
Undistributed Monies	681,529
Deposits Held and Due to Others	<u>3,125</u>
<i>Total Liabilities</i>	<u><u>\$1,839,432</u></u>

See accompanying notes to the basic financial statements

**Guernsey Industries**  
**Statement of Net Assets**  
**December 31, 2004**

<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$73,739
Accounts Receivable	24,959
Investments	42,710
Inventory	5,228
Property and Equipment (Less Accumulated Depreciation)	<u>28,902</u>
<i>Total Assets</i>	<u><u>\$175,538</u></u>
<b>Liabilities</b>	
Accounts Payable	\$3,451
Accrued Expenses	2,622
Current Portion of Long Term Debt	3,100
Long-Term Debt - Net of Current Portion	<u>6,200</u>
<i>Total Liabilities</i>	<u>15,373</u>
<b>Net Assets</b>	
Unrestricted	<u>160,165</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$175,538</u></u>

See accompanying notes to the basic financial statements

**Guernsey Industries**  
**Statement of Activities**  
**For the Year Ended December 31, 2004**

<b>Revenues</b>	
Sales Taxes	\$239,722
Interest Earned	978
Contributions	667
In-Kind Contribution	30,063
Total Unrestricted Revenues	<u>271,430</u>
Less Direct Materials and Supplies	<u>93,500</u>
<i>Total Revenues</i>	<u>177,930</u>
<b>Operating Expenses</b>	
Wages	96,045
Depreciation	6,435
Insurance	7,982
Employee Welfare	5,528
Professional Fees	10,528
Supplies	673
Repairs and Maintenance	3,067
Office Supplies and Postage	826
Utilities	1,895
Advertising	530
License and Fees	655
Miscellaneous	1,232
Payroll Taxes	8,471
In-Kind Contribution	30,063
<i>Total Expenses</i>	<u>173,930</u>
<i>Change in Net Assets</i>	4,000
Net Assets, Beginning of Year	<u>156,165</u>
<i>Net Assets, End of Year</i>	<u><u>\$160,165</u></u>

See accompanying notes to the basic financial statements

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2004

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**Note 1 - Reporting Entity**

Guernsey County (the County), is a body politic and corporate established in 1810 to exercise the rights and privileges conveyed to it by the constitution and laws of the state of Ohio. The County is comprised of nineteen townships, one city and ten villages. 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, County Municipal Court Judge, Common Pleas Judge (also services as the Domestic Relations Judge), and Probate Court Judge (also serves as the Juvenile Court Judge). Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as serve as the budget and taxing authority, contracting body, and the chief administrators of public services for the entire County.

The County utilizes the standards of Governmental Accounting Standards Board Statement 14 for determining the reporting entity. The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements of the County are not misleading.

**A. Primary Government**

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the County. For Guernsey County, this includes the Board of Mental Retardation and Developmental Disabilities (MRDD); Children Services Board, Soldiers' Relief Commission, Local Emergency Planning Committee (LEPC), Water and Sanitary Sewer Districts, Board of Mental Health and all departments and activities that are directly operated by the elected County officials.

**B. Component Units**

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

The component unit column in the combined financial statements identifies the financial data of the County's governmental component unit, the Guernsey County Port Authority. The Guernsey County Port Authority component unit is discretely presented in separate columns to emphasize that it is legally separate from the County. The Guernsey County Port Authority component unit note disclosures can be found in Note 22.

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2004

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The combined financial statements do not identify the financial data of Guernsey Industries which meets the criteria of being reported as a component unit of the County due to Guernsey Industries' financial information being prepared on an accrual basis of accounting rather than the modified cash basis of accounting utilized by the County. However, Guernsey Industries' financial statements are presented following the primary government's modified cash financial statements. Guernsey Industries' note disclosures can be found in Note 21.

The Guernsey County Port Authority (GCPA) is a legally separate, not-for-profit organization which is governed by a five member board. The GCPA was established by the Guernsey County Commissioners as a resource to continue and improve economic development throughout the county. The GCPA may adopt budgets, hire and fire employees, and issue revenue debt without the approval of the County. The GCPA received funding from Guernsey County to be used for administration and start up costs. The GCPA intends to seek state or federal grant funding to pursue various projects. Based upon the County's appointment of all GCPA board members, and the County's ongoing financial contributions to the GCPA, the Guernsey County Port Authority is presented as a component unit of Guernsey County. The GCPA operates on a fiscal year ending December 31. Separately issued financial statements can be obtained from the Guernsey County Port Authority, Cambridge, Ohio.

Guernsey Industries is a legally separate, not-for-profit corporation, served by a self-appointing board of trustees. The workshop, under a contractual agreement with the Guernsey County Board of Mental Retardation and Developmental Disabilities, provides sheltered employment for mentally retarded or handicapped adults in Guernsey County. The Guernsey County Board of MR/DD provides the workshop with staff salaries, transportation, equipment (except that used directly in the production of goods or rendering services), staff to administer and supervise training programs, and other funds as necessary for the operation of the workshop. Based on the significant services and resources provided by the County to the workshop and workshop's sole purpose of providing assistance to the retarded and handicapped adults of Guernsey County, the workshop is presented as a component unit of Guernsey County. Separately issued financial statements can be obtained from Guernsey Industries, Byesville, Ohio.

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

Guernsey County District Public Library  
GMN Educational Service Center  
Guernsey Health Systems (Guernsey Health Foundation)  
Pritchard-Laughlin Convention Center

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 activities of the following districts and agencies are presented as agency funds within the County's financial statements:



Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2004

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Guernsey County General Health District is governed by the Board of Health. The Board adopts its own budget, hires and fires its own staff, and operates autonomously from the County. Funding is based on a rate per taxable valuation, along with state and federal grants applied for by the District. The County cannot significantly influence the Health District's operations, nor is it obligated for the Health District's debt.

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

Guernsey County Law Library is operated by a non-profit association organized under State statute. State statutes require the County Commissioners to pay the salary of the Law Librarian and provide adequate, suitable facilities at County expense for the use as a county law library. The Board of County Commissioners is not involved in the selection of trustees or management of the Law Library. The County exercises no oversight responsibility. The County Auditor maintains the Law Library Agency Fund and collects monies paid by the courts for payment to the board of trustees of the Law Library.

A jointly governed organization is a regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that create the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility. The County participates in several jointly governed organizations and public entity risk pools, and is associated with a related organization. These organizations are presented in Notes 16, 17 and 18 to the basic financial statements. These organizations are:

- SouthEastern Ohio Joint Solid Waste Management District
- Guernsey-Monroe-Noble Community Action Corporation (GMN)
- Southeast Ohio Juvenile Rehabilitation District (SEOJRD)
- Guernsey County Family Service Council
- Mental Health and Recovery Services Board
- South Eastern Narcotics Team (SENT)
- Mid Eastern Ohio Regional Council (MEORC)
- Ohio Mid-Eastern Governments Association (OMEGA)
- Cambridge - Guernsey County Visitors and Convention Bureau
- The Area Office on Aging
- Eastern Ohio Correctional Center
- Southeast Area Transit
- Guernsey County Convention Facilities Authority
- Cambridge Metropolitan Housing Authority
- Guernsey County Park District
- Guernsey County Airport Authority
- County Risk Sharing Authority, Inc. (CORSA)
- County Commissioners Association of Ohio Service Corporation

The County's management believes these financial statements present all activities for which the County is financially accountable.

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2004

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**Note 2 - Summary of Significant Accounting Policies**

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The County does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the County's accounting policies.

**A. Basis of Presentation**

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

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the County that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and cash disbursements.

The statement of net assets presents the cash balance of the governmental and business-type activities of the County at year end. The statement of activities compares disbursements and program receipts for each program or function of the County's governmental activities and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the County is responsible. Program receipts 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.

Receipts which are not classified as program receipts are presented as general receipts of the County, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program or business activity is self-financing on a modified cash basis or draws from the general receipts of the County.

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2004

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Fund Financial Statements

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

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

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. The funds of the County are presented in three categories: governmental, proprietary, and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the County are financed. The following are the County's major governmental funds:

General - 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 – The Public Assistance fund accounts for various federal and State grants as well as transfers from the General Fund used to provide public assistance to general relief recipients and to pay their providers of medical assistance and certain public social services.

Motor Vehicle and Gasoline Tax (MVGT) – The Motor Vehicle and Gasoline Tax Fund accounts for revenue derived from motor vehicle licenses, gasoline taxes, grants, and interest. Expenditures in this fund are restricted by State law to County road and bridge repair/improvements programs.

Mental Retardation and Developmental Disabilities (MRDD) - This fund accounts for the operation of a school and the costs of administering a workshop for the mentally retarded and developmentally disabled residents of the County. Revenue sources are Federal and State grant monies and a county-wide property tax levy.

Children Services – This fund accounts for revenues derived from property taxes and state and federal funds. State law restricts the expenditure of these revenues to programs designed to aid homeless children from troubled families.

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2004

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County Facilities Construction and Improvement – This fund accounts for various revenues, primarily from the issuance of debt, to be used for the acquisition and construction of county facilities and improvements throughout the County.

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

Proprietary Funds

The County classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise funds or internal service funds.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the County's major enterprise funds:

Sewer Fund - The Sewer Fund accounts for sanitary sewer services provided to County individual and commercial users. The costs of providing these services are financed primarily through user charges.

Water Fund - The Water Fund accounts for water services provided to County individual and commercial users. The costs of providing these services are financed primarily through user charges.

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the County on a cost reimbursement basis. The County's internal service fund accounts for monies received for the activities of the self insurance program for employee health benefits.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are not available to support the County's own programs. Agency funds are purely custodial in nature and are used to account for assets held by the County for political subdivisions for which the County acts as fiscal agent and for taxes, state-levied shared revenues, and fines and forfeitures collected and distributed to other political subdivisions.

C. Basis of Accounting

The County's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the County's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the County are described in the appropriate section in this note.

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2004

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As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. 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 cash disbursements plus encumbrances at the level of control selected by the County Commissioners. The legal level of control has been established by the County Commissioners at the fund, program, department, and object level for all funds.

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

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.

E. Cash and Investments

To improve cash management, cash received by the County is pooled and invested. Individual fund integrity is maintained through County records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Cash and cash equivalents that are held separately within departments of the County are recorded as "Cash and Cash Equivalents with Fiscal and Escrow Agents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2004

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During 2004, the County invested in STAROhio, United States Treasury Notes, federal agency securities, county bonds and certificates of deposit. Investments are reported at cost, except for STAROhio. STAROhio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2004.

Interest earnings are allocated to County funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2004 were \$478,785 which includes \$472,669 assigned from other County funds.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

G. Inventory and Prepaid Items

The County reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Interfund Receivables/Payables

The County reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the County's modified cash basis of accounting.

K. Employer Contributions to Cost-Sharing Pension Plans

The County recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2004

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L. Long-Term Obligations

The County's modified cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither other financing source nor capital outlay are reported at inception. Lease payments are reported when paid.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes primarily include activities involving the upkeep of the County's roads and bridges, various mental health services, child support and welfare services, services for the handicapped and mentally retarded, and activities of the County's courts. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

The government-wide statement of net assets reports \$13,714,777 of restricted net assets, of which \$10,756,432 is restricted by enabling legislation.

N. Fund Balance Reserves

The County reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances and unclaimed monies.

O. Interfund Transactions

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

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

**Note 3 – Changes in Accounting Principles and Restatement of Fund Equity**

A. Changes in Accounting Principles

For 2004, the County ceased to report on the basis of generally accepted accounting principles and reported on the modified cash basis as described in Note 2C.

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2004

**B. Restatement of Fund Equity**

The restatement due to the implementation of this change had the following effects on fund equity of the major and nonmajor funds of the County as they were previously reported. The effects on net assets of governmental activities are also presented.

	General	Public Assistance	Motor Vehicle and Gasoline Tax	Mental Retardation and Developmental Disabilities	Children Services	County Facilities Construction and Improvement	Other Governmental Funds	Total Governmental Activities
Fund Balance at 12/31/03	\$2,044,559	(\$459,851)	\$937,470	\$5,392,479	\$1,540,803	\$2,949,302	\$2,176,595	\$14,581,357
Eliminate Asset Accruals	(2,999,413)	(86,850)	(2,602,103)	(3,832,339)	(1,394,303)	0	(2,531,165)	(13,446,173)
Eliminate Liability Accruals	2,427,338	1,491,713	2,162,707	3,731,502	1,465,643	0	2,657,678	13,936,581
Adjusted Fund Balance at 12/31/03	\$1,472,484	\$945,012	\$498,074	\$5,291,642	\$1,612,143	\$2,949,302	\$2,303,108	\$15,071,765

Governmental Activities Net Assets December 31, 2003	\$85,051,594
Eliminate Asset Accruals	(13,446,173)
Eliminate Liability Accruals	13,936,581
Property Taxes Receivable	(736,314)
Special Assessments Receivable	(595,688)
Intergovernmental Receivable	(3,721,162)
Accrued Interest Receivable	(75,378)
General Obligation Bonds Payable	10,451,699
Compensated Absences Payable	1,385,897
Accrued Interest Payable	47,614
Special Assessment Bonds Payable	590,444
OPWC Loans Payable	86,176
Long Term Notes Payable	455,000
Capital Leases Payable	182,948
Unamortized Issuance Costs	(257,125)
Capital Assets	(78,421,006)
Internal Service Fund - Cash Balance	167,742
Internal Service Fund - GAAP Balance	136,658
Governmental Activities Net Assets December 31, 2003	<u>\$15,239,507</u>

The restatement of the business-type activities:

	Sewer	Water	Total Business-Type Activities
Fund Equity 12/31/03	\$595,034	\$3,067,233	\$3,662,267
Eliminate Asset Accruals	(13,601)	(161,485)	(175,086)
Eliminate Capital Assets	(806,376)	(3,580,734)	(4,387,110)
Eliminate Liability Accruals	25,372	205,436	230,808
Eliminate Long-Term Liabilities	393,164	1,063,428	1,456,592
Adjusted Net Assets 12/31/03	<u>\$193,593</u>	<u>\$593,878</u>	<u>\$787,471</u>



Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2004

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The restatement of the fiduciary net assets:

	Erven
	Bequest-Private
	Purpose Trust
Net Assets - Held in Trust for Others 12/31/03	\$91,642
Eliminate Asset Accruals	(91,642)
Adjusted Net Assets 12/31/03	\$0

Under the modified cash basis of accounting, investments in segregated accounts are not required to be reported.

**Note 4 - Compliance**

Ohio Administrative Code, section 117-2-03 (B), requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, the County prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The County can be fined and various other administrative remedies may be taken against the County.

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

Fund Type/Fund	Excess
<u>Special Revenue Fund:</u>	
Motor Vehicle and Gasoline Tax	
Capital Outlay	\$375,795

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

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2004

**Note 5 - Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Cash Receipts, Disbursements and Change in Cash Basis Fund Balance – (Budget Basis) 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 budgetary basis and the modified cash basis are as follows:

1. Outstanding year end encumbrances are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (modified cash basis).
2. Unrecorded cash and unrecorded interest are reported on the balance sheet (modified cash basis) but not on the budgetary basis.
3. 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 (modified cash basis) in the appropriate County fund.

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

Net Change in Fund Balances  
General and Major Special Revenue Funds

	General	Public Assistance	MVGT	MRDD	Children Services
Modified Cash Basis	(\$659,686)	(\$117,859)	\$118,767	\$552,421	\$62,413
Beginning of Year:					
Agency Fund Cash Allocation	52,611	0	0	121,410	40,470
Unrecorded Cash	31,545	0	400	0	288
End of Year:					
Agency Fund Cash Allocation	(58,469)	0	0	(134,930)	(44,977)
Unrecorded Cash	(28,573)	(535)	(613)	0	(43,365)
Encumbrances	(51,693)	0	0	0	0
Budget Basis	(\$714,265)	(\$118,394)	\$118,554	\$538,901	\$14,829

**Note 6 - Deposits and Investments**

Monies held by the County are classified by State statute into two categories. Active monies are public monies determined to be necessary to meet current demands upon the County treasury. Active 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.

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2004

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Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged to the County by the financial institution as security for repayment, by surety company bonds deposited with the County 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. Beginning June 15, 2004, inactive monies could be deposited or invested with certain limitations in the following securities provided the County has filed a written investment policy with the Ohio Auditor of State:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States, or any book entry, zero coupon United States treasury security that is a direct obligation of the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds;
7. The State Treasurer's investment pool (STAROhio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange either securities or cash, equal value for equal value;
9. Commercial paper notes, corporate notes and bankers' acceptances; and
10. Debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government. All interest and principal shall be denominated and payable in United States funds.

Reverse repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Bankers' acceptances must mature within 180 days. Commercial paper and corporate notes must mature within 270 days. All other investments must mature within five years from the date of settlement unless matched to a specific obligation or debt of the County. Investments must be purchased with the expectation that they will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2004

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At year end, the County had \$75,010 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At year end, the carrying amount of the County's deposits was \$3,940,734 and the bank balance was \$5,101,073. Of the bank balance \$302,599 was covered by federal depository insurance and \$4,798,474 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

At December 31, 2004, the County's MRDD special revenue fund had a cash balance of \$790,533 with MEORC, a jointly governed organization (See Note 16). 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 3. The classification of cash and cash equivalents and investments for MEORC as a whole may be obtained from their audit report. To obtain information, write to Mid East Ohio Regional Council, Cathy Henthorn, who serves as Associate Director of Business, 160 Columbus Road, Mt. Vernon, Ohio 43050.

The County's investments are categorized to give an indication of the level of risk assumed by the County at year end. Category 1 includes investments that are insured or registered for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the County's name. The money market fund and STAROhio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2004

Investment	Category 1	Category 3	Fair Value	Rate	Maturity
Government Securities:					
Guernsey County General Obligation Bonds	\$51,104	\$0	\$51,104	6.00%	12/1/2004 - 12/1/2020
STAROhio	0	0	702,191	N/A	N/A
Federal Home Loan Bank Bonds	0	250,000	250,000	2.125%	7/14/2006
Federal Home Loan Bank Bonds	0	250,000	250,000	3.000%	12/1/2006
Federal Home Loan Bank Bonds	0	300,000	300,000	2.750%	12/14/2006
Federal Home Loan Bank Bonds	0	500,000	500,000	2.250%	1/9/2007
Federal National Mortgage Association - Bonds	0	750,000	750,000	4.320%	7/26/2007
Federal Home Loan Mortgage Corporation - Notes	0	950,000	950,000	3.000%	8/15/2007
Federal Home Loan Bank Bonds	0	265,000	265,000	3.375%	10/5/2007
Federal Home Loan Bank Bonds	0	250,000	250,000	2.380%	12/24/2007
Federal Home Loan Bank Bonds	0	500,000	500,000	4.000%	12/28/2007
Federal Home Loan Mortgage Corporation - Notes	0	424,000	424,000	3.000%	3/15/2008
Federal Home Loan Mortgage Corporation - Notes	0	970,000	970,000	3.375%	4/23/2008
Federal Home Loan Mortgage Corporation - Notes	0	500,000	500,000	3.750%	4/23/2008
Federal National Mortgage Association - Notes	0	200,000	200,000	3.230%	5/19/2008
Federal Home Loan Bank Bonds	0	1,000,000	1,000,000	3.000%	6/30/2008
Federal Home Loan Bank Bonds	0	250,000	250,000	2.900%	7/15/2008
Federal Home Loan Mortgage Corporation - Notes	0	500,000	500,000	3.500%	7/30/2008
Federal Home Loan Bank Bonds	0	250,000	250,000	3.400%	7/30/2008
Federal Home Loan Bank Bonds	0	100,000	100,000	3.820%	8/11/2008
Federal Home Loan Bank Bonds	0	200,000	200,000	3.250%	8/12/2008
Federal Home Loan Bank Bonds	0	650,000	650,000	4.000%	8/25/2008
Federal National Mortgage Association - Notes	0	250,000	250,000	4.000%	2/26/2009
Federal Home Loan Bank Bonds	0	300,000	300,000	4.000%	3/19/2009
Federal Home Loan Bank Bonds	0	800,000	800,000	4.000%	3/26/2009
Federal Home Loan Mortgage Corporation - Notes	0	500,000	500,000	3.500%	4/6/2009
Federal Home Loan Bank Bonds	0	420,000	420,000	3.600%	4/16/2009
Federal Home Loan Bank Bonds	0	300,000	300,000	4.430%	12/17/2009
Money Market Mutual Funds	0	0	6,208	N/A	N/A
Total	<u>\$51,104</u>	<u>\$11,629,000</u>	<u>\$12,388,503</u>		

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9 entitled "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting"

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2004

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$17,104,267	\$90,513
Undeposited Cash	(75,010)	0
Cash Held with MEORC	(790,533)	0
Investments:		
County Bond	(51,104)	51,104
Certificates of Deposit	90,513	(90,513)
Federal Home Loan Bank Bonds	(6,585,000)	6,585,000
Federal National Mortgage Association Bonds	(750,000)	750,000
Federal National Mortgage Association Notes	(450,000)	450,000
Federal Home Loan Mortgage Corporation Notes	(3,844,000)	3,844,000
STAROhio	(702,191)	702,191
Money Market Mutual Fund	(6,208)	6,208
GASB Statement 3	\$3,940,734	\$12,388,503

**Note 7 - Permissive Sales and Use Tax**

On February 27, 1989, the County Commissioners adopted a resolution which imposed a one quarter of one percent Permissive Sales Tax (Piggy Back Tax). The sales tax came into effect on April 1, 1992, and expired on April 1, 1993. This sales tax was renewed for two consecutive one-year terms and expired on April 1, 1995. On August 1, 1993, the County Commissioners adopted a resolution which imposed an additional one-quarter of one percent Permissive Sales Tax bringing the total Permissive Sales Tax to one-half of one percent. On February 22, 1995, the County Commissioners adopted a resolution to combine the two one-quarter of one percent Permissive Sales Taxes to a one-half of one percent tax. The County Commissioners have renewed the one-half of one percent Permissive Sales Tax for the tenth consecutive year on January 21, 2004. This sales tax came into effect on April 1, 2004, and expires on March 31, 2005. The revenues generated from the sales tax are used for the purpose of providing additional revenue for the County's General Fund and Bond Retirement Fund.

Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies, to the State Auditor, the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County.

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2004

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**Note 8 - Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the County. Real property tax revenues received in 2004 represent the collection of 2003 taxes. Real property taxes received in 2004 were levied after October 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

Tangible personal property tax revenues received in 2004 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2004 were levied after October 1, 2003, on the true value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts within 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.

The full tax rate for all County operations for the year ended December 31, 2004, was \$12.70 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2004 property tax receipts were based are as follows:

Real Property	\$441,002,800
Tangible Personal Property	44,803,380
Public Utility Personal Property	83,597,560
Total Assessed Property Value	<u>\$569,403,740</u>

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2004

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**Note 9 - 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. By contracting with the County Risk Sharing Authority, Inc. (CORSA) for liability, property, and crime insurance, the County has addressed these various types of risk.

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. CORSA was established May 12, 1987, and has grown to sixty members.

Under the CORSA program for general liability, auto liability, error and omission for public officials, and law enforcement liability, the County has \$1,000,000 of total liability coverage for each loss. Property damage is on a replacement cost basis for buildings and contents and electronic data processing equipment.

In addition, the County maintains replacement cost insurance through CORSA on other property including the following: \$1,000,000 for valuable papers and extra expenses, \$100,000 for motortruck cargo, \$100,000,000 for flood and earthquake damage, and \$3,000,000 for automatic acquisition. Contractor's equipment, miscellaneous inland marine, and auto physical damage are insured for their actual cash value under CORSA.

The amounts of settlements have not exceeded commercial coverage in any of the past three years. Also, the limits have not been lowered significantly in the past year.

With the exception of workers' compensation, health, dental, vision, and life insurances, all other insurance is held with CORSA. The County pays all elected officials bonds by statute.

The County contracts with Central Benefits to provide employees with medical, dental, and prescription insurance through a self-insurance program. The County maintains a self-insurance internal service fund to account for and finance its uninsured risks of loss on this program.

**Note 10 - Defined Benefit Pension Plans**

**A. Ohio Public Employees Retirement System**

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



Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2004

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OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

For the year ended December 31, 2004, members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salary to fund pension obligations. Members participating in the traditional plan, who were in law enforcement, contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The County's contribution rate for pension benefits for 2004 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 were \$1,401,382, \$1,427,213, and \$1,406,402, respectively. The full amount has been contributed for 2004, 2003 and 2002. Contributions to the member-directed plan for 2004 were \$12,883 made by the County and \$8,082 made by plan members.

#### B. State Teachers Retirement System

For certified teachers employed by the school for mental retardation and developmental disabilities, the County contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of 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 fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, 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 DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2004

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A DBP or CP member with five or more years of 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 DCP who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salary and the County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The County's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2004, 2003, and 2001 were \$20,192, \$19,959 and \$25,874, respectively. The full amount has been contributed for fiscal year 2004, 2003 and 2002. Contributions for the CP for the fiscal year ended June 30, 2004, were \$2,469 made by plan members.

**Note 11 - Postemployment Benefits**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 employer contribution rate was 13.55 percent of covered payroll (16.7 percent for law enforcement and public safety); 4.00 percent was the portion used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees), and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1 and 6 percent annually for the next 8 years and 4 percent annually after 8 years.

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

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2004

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The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$580,250. The actual contribution and the actuarial required contribution amounts are the same. OPERS's net assets available for the payment of benefits at December 31, 2003 (the latest information available), was \$10.5 billion. The actuarial accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

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

B. State Teachers Retirement System

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000, and STRS had 111,853 eligible benefit recipients.

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2004

**Note 12 - Debt**

The County's long-term debt activity for the year ended December 31, 2004, was as follows:

	Restated Outstanding 12/31/2003	Additions	Reductions	Outstanding 12/31/2004	Amounts Due Within One Year
<b><u>Governmental Activities:</u></b>					
<i>Special Assessment Bonds:</i>					
Rolling Hills Paving - 1988, \$202,900, 6.375%	\$76,000	\$0	\$13,400	\$62,600	\$14,200
Rolling Hills Paving II - 1988, \$76,100, 6.375%	23,292	0	5,000	18,292	5,300
Northgate Sewer - 1988, \$178,900, 7.25%	36,000	0	9,000	27,000	9,000
Stop Nine Sanitary Sewer - 1993, \$559,200, 5%	53,300	0	800	52,500	800
Sundew and Zane Waterline - 1996, \$84,000, 4.95%	67,586	0	3,587	63,999	3,764
Cedar Hills Sewer - 1996, \$171,785, 4.95%	125,968	0	7,946	118,022	8,340
Eastmoor Sanitary Sewer - 1998, \$186,000, 4.5%	154,000	0	7,300	146,700	7,700
Wolf's Den Road Waterline - 2000, \$63,880, 6%	54,298	0	3,194	51,104	3,194
<i>Total Special Assessment Bonds</i>	<u>590,444</u>	<u>0</u>	<u>50,227</u>	<u>540,217</u>	<u>52,298</u>

Continued

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2004

Continued

	Outstanding 12/31/2003	Additions	Reductions	Outstanding 12/31/2004	Amounts Due Within One Year
<b><u>Governmental Activities:</u></b>					
<i>General Obligation Bonds:</i>					
Rolling Hills Paving II - 1998, \$5,108, 6.375%	5,108	0	0	5,108	0
Various Purpose Refunding and Improvement Serial Bonds - 2003 2.00%-5.00% - \$7,260,000	6,670,000	0	565,000	6,105,000	580,000
Various Purpose Refunding and Improvement Term Bonds - 2003 2.00%-5.00% - \$3,825,000	3,825,000	0	0	3,825,000	0
Bond Premium	52,725	0	0	52,725	0
Deferred Amount on Refunding	(203,788)	0	0	(203,788)	0
Public Improvement - 1996, \$124,959, 4.95%	102,654	0	1,156	101,498	9,975
<i>Total General Obligation Bonds</i>	<u>10,451,699</u>	<u>0</u>	<u>566,156</u>	<u>9,885,543</u>	<u>589,975</u>
 <i>Long Term Notes Payable</i>					
Engineers Garage Bond Anticipation Note, Series 2004, \$405,000, 1.73%	0	405,000	0	405,000	405,000
Waterline Construction Bond Anticipation Note, Series 2004, \$900,000, 2.35%	0	900,000	0	900,000	900,000
Various Purpose Note, Series 2002, \$455,000, 1.76%	455,000	0	455,000	0	0
<i>Total Long Term Notes Payable</i>	<u>455,000</u>	<u>1,305,000</u>	<u>455,000</u>	<u>1,305,000</u>	<u>1,305,000</u>
 <i>OPWC Notes:</i>					
OPWC Promissory Note - 1995, \$25,817, 0%	2,581	0	2,581	0	0
OPWC Promissory Note - 1999, \$30,670, 0%	15,335	0	3,067	12,268	3,067
OPWC Promissory Note - 1993, \$70,870, 0%	10,125	0	10,125	0	0
OPWC Promissory Note - 2000, \$60,200, 0%	36,120	0	6,020	30,100	6,020
OPWC Promissory Note - 2001, \$55,043, 0%	22,015	0	11,009	11,006	11,006
<i>Total OPWC Notes</i>	<u>86,176</u>	<u>0</u>	<u>32,802</u>	<u>53,374</u>	<u>20,093</u>
 <b>Total Governmental Activities</b>	 <u>\$11,583,319</u>	 <u>\$1,305,000</u>	 <u>\$1,104,185</u>	 <u>\$11,784,134</u>	 <u>\$1,967,366</u>
 <b><u>Business Type Activities:</u></b>					
<i>General Obligation Bonds</i>					
Kimbolten Waterline - 1992, \$142,000, 5.75%	\$106,300	\$0	\$1,800	\$104,500	\$1,900
North Salem Waterline - 1994, \$450,000, 5%	377,800	0	6,500	371,300	6,900
County Water Building, - 1996, \$110,000, 4.95%	38,792	0	12,311	26,481	12,921
<i>Total General Obligation Bonds</i>	<u>522,892</u>	<u>0</u>	<u>20,611</u>	<u>502,281</u>	<u>21,721</u>
 Water Fund OWDA - 1989,\$1,444,319, 7.89%	 630,498	 0	 96,159	 534,339	 103,745
Sewer Fund OWDA - 2002,\$389,195, 5.65%	389,195	20,676	0	409,871	0
Total OWDA Loans	<u>1,019,693</u>	<u>20,676</u>	<u>96,159</u>	<u>944,210</u>	<u>103,745</u>
 <b>Total Business Type Activities</b>	 <u>\$1,542,585</u>	 <u>\$20,676</u>	 <u>\$116,770</u>	 <u>\$1,446,491</u>	 <u>\$125,466</u>

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2004

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**Governmental Activities:**

***Special Assessment Bonds*** – As of December 31, 2004, the County has \$540,217 in special assessment bonded debt outstanding. The debt is being repaid from the Special Assessment Bond Retirement Debt Service Fund with proceeds of special assessments levied against benefited property owners. In the event the property owners do not pay their assessments, the County would be responsible for the debt service payment. Principal and interest requirements to retire the special assessment bonds outstanding at December 31, 2004 are as follows:

Year Ending December 31	Principal	Interest	Total
2005	\$52,298	\$28,404	\$80,702
2006	54,798	25,326	80,124
2007	57,026	22,107	79,133
2008	45,478	18,760	64,238
2009	28,079	13,760	41,839
2010-2014	159,843	55,480	215,323
2015-2019	105,201	21,132	126,333
2020-2024	12,894	7,804	20,698
2025-2029	12,300	4,980	17,280
2030-2033	12,300	1,580	13,880
Totals	<u>\$540,217</u>	<u>\$199,333</u>	<u>\$739,550</u>

***General Obligation Bonds*** – As of December 31, 2004, the County has \$9,885,543 in general obligation bonded debt outstanding that is being retired by the Bond Retirement Debt Service Fund.

On November 1, 1992, the County issued \$7,965,000 of general obligation bonds. The bonds were issued for a 19 year period with final maturity at December 1, 2011. The bond issue was refunded during 2003.

On November 20, 1996, the County issued \$124,959 of general obligation bonds. The bonds were issued for a 20 year period with final maturity at December 1, 2016. The bond issue is being retired from rental income from the Department of Job and Family Services.

On April 15, 2003, the County issued \$11,085,000 of various purpose refunding and improvement general obligation bonds that consisted of \$7,260,000 in serial bonds and \$3,825,000 in term bonds with varying interest rates from 2.00% to 5.00%. \$4,960,000 was used to refund the 1992 Public Improvement Bonds in the amount of \$4,690,000. \$1,545,000 was used to retire the outstanding amount of bond anticipation notes, and the remainder of the bond issue was used to make additional improvements to the County administrative and courthouse buildings and to make permanent improvements to the County's water system. The general obligation bonds were sold at a premium of \$54,817 that will be amortized over the life of the bonds using the straight-line method. Issuance costs associated with the bond issue in the amount of \$267,394 are deferred and will be amortized over the life of the bonds using the straight-line method. \$4,919,262 (after premium, underwriting fees, and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 1992 Public Improvement bonds. As a result, \$4,690,000 of refunded bonds is considered defeased.

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2004

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The refunding portion resulted in an advance refunding of the 1992 Public Improvement bonds. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price. This difference is being amortized to interest expense through the year 2011 using the straight-line method. The County completed its advance refunding to reduce its total debt service requirements over the next 8 years by \$518,381 in order to obtain an economic gain of \$443,156.

The bonds are being retired from property tax revenues. The bonds are subject to mandatory and optional redemption as follows:

**Mandatory Redemption:**

The bonds maturing on December 1, 2023 (the 2023 Term Bonds) and 2028 (the 2028 Term Bonds, and together with the 2023 Term Bonds, collectively, the Term Bonds) are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the Authorizing Legislation. That mandatory redemption is to occur on December 1, in each of the years illustrated below at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedules:

2023 Term Bonds		2028 Term Bonds	
Year	Amount	Year	Amount
2018	\$395,000	2024	\$210,000
2019	415,000	2025	215,000
2020	435,000	2026	225,000
2021	460,000	2027	235,000
2022	480,000	Total	\$885,000
Total	\$2,185,000		

The balance of the principal amounts of the Term Bonds will be paid at stated maturity in the following amounts: 2023 Term Bonds - \$505,000 on December 1, 2023; and 2028 Term Bonds - \$250,000 on December 1, 2028.

**Optional Redemption:**

The Bonds maturing after December 1, 2012 are subject to prior redemption on or after December 1, 2012 by and at the sole option of the County, either in whole on any date or in part (as selected by the County) on any date and in integral multiples of \$5,000, at par, plus accrued interest to the redemption date. Principal and interest requirements to retire the general obligation bonds outstanding at December 31, 2004 are as follows:

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2004

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Year Ending December 31	Principal	Interest
2005	\$589,975	\$391,345
2006	593,737	379,252
2007	611,668	367,119
2008	641,115	352,874
2009	530,315	335,882
2010-2014	2,134,928	1,397,184
2015-2019	1,919,868	1,005,014
2020-2024	2,090,000	496,127
2025-2028	925,000	106,644
Totals	\$10,036,606	\$4,831,441

**Long-Term Notes Payable** – As of December 31, 2004, the County has \$1,305,000 in long-term notes payable outstanding that were issued for the purpose of constructing, furnishing, and equipping a building to house county road machinery, supplies, and personnel associated with the machinery and supplies and for the construction of a county waterline. These are bond anticipation notes and are backed by the full faith and credit of the County. The notes will be retired from the issuance of bonds. The Engineer’s Garage bond anticipation note matures on February 16, 2005 along with interest payable at 1.73% of the principal amount. The waterline bond anticipation note matures on December 1, 2005 along with interest payable at 2.35% of the principal amount.

**OPWC Notes** – As of December 31, 2004, the County has \$53,374 in Ohio Public Works Commission Promissory Notes outstanding. These notes were issued for bridge replacement and various road paving projects within the County and will be repaid from the Bond Retirement Debt Service Fund. These notes are interest free. Principal requirements to retire the OPWC notes outstanding at December 31, 2004 are as follows:

Year Ending December 31	Principal
2005	\$20,093
2006	9,087
2007	9,087
2008	9,087
2009	6,020
Totals	\$53,374

**Business - Type Activities:**

**General Obligation Bonds** – As of December 31, 2004, the County has \$502,281 in general obligation bonded debt outstanding. The bonds were issued to construct lines and a building associated with the County water system. These bonds will be repaid from revenues derived by the County from the operation of the water system.

Principal requirements to retire the general obligation bonds outstanding at December 31, 2004 are as follows:



Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2004

Year Ending December 31	Principal	Interest
2005	\$21,721	\$28,272
2006	22,760	27,163
2007	9,700	23,352
2008	10,300	25,851
2009	10,700	25,319
2010-2014	62,700	117,680
2015-2019	80,600	99,716
2020-2024	103,600	76,580
2025-2029	133,400	45,828
2030-2032	46,800	10,315
Totals	<u>\$502,281</u>	<u>\$480,076</u>

**OWDA Loans** – The County has issued OWDA Loans for a water project and a sewer project. These loans will be repaid by the Water Enterprise Fund and the Sewer Enterprise Fund from revenues derived by the County from the operation of these systems.

An amortization schedule for the Sewer Enterprise Fund will not be available until the entire amount of the loan has been drawn down or until the project is complete. Principal and interest requirements to retire the Water Enterprise Fund OWDA loan outstanding at December 31, 2004 are as follows:

Year Ending December 31	Principal	Interest
2005	\$103,745	\$42,159
2006	111,931	33,974
2007	120,763	25,143
2008	130,290	15,615
2009	67,610	5,341
Totals	<u>\$534,339</u>	<u>\$122,232</u>

The Ohio Revised Code provides that net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 1 percent of the total assessed valuation of the County. The Revised Code further provides that total voted and unvoted net debt of the County less the same exempt debt shall never exceed a sum equal to 3 percent of the first \$100,000,000 of assessed valuation, plus 1.5 percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus 2.5 percent of such valuation in excess of \$300,000,000. The effects of the debt limitations at December 31, 2004, were an overall debt margin of \$2,848,545.

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2004

**Note 13 - Interfund Transfers**

During 2004 the following transfers were made:

		Transfers Out Governmental Activities						Total
		Motor		Children Services	County Facilities		Other Nonmajor Governmental	
		General	Vehicle and Gasoline Tax		Construction and Improvement	Water		
Transfers In	Governmental Activities							
	General	\$0	\$0	\$0	\$182,610	\$0	\$0	\$182,610
	Public Assistance	188,821	0	0	0	0	0	188,821
	Motor Vehicle and Gasoline Tax	23,470	0	0	0	0	0	23,470
	Children Services	0	0	0	73	0	0	73
	Other Nonmajor Governmental	853,645	90,786	324,699	32,738	182,610	30,000	1,514,478
	<b>Total Governmental Activities</b>	<b>1,065,936</b>	<b>90,786</b>	<b>324,699</b>	<b>215,421</b>	<b>182,610</b>	<b>30,000</b>	<b>1,909,452</b>
	Business-Type Activities							
	Water	64,674	0	0	0	0	0	64,674
	Self Insurance	40,196	0	0	0	0	0	40,196
<b>Total</b>	<b>\$1,170,806</b>	<b>\$90,786</b>	<b>\$324,699</b>	<b>\$215,421</b>	<b>\$182,610</b>	<b>\$30,000</b>	<b>\$2,014,322</b>	

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

**Note 14 - Federal Food Stamp Program**

The County's Department of Job and Family Services distributes federal food stamps to entitled recipients within Guernsey County. The receipt and issuance of food stamps have the characteristics of federal "grants"; however, the Department of Job and Family Services merely acts in an intermediary capacity. The inventory value of these stamps is not reflected in the accompanying financial statements as the only economic interest related to the stamps rests with the ultimate recipient. Federal food stamp inventory at year end was \$3,000.

**Note 15 - Construction and Contractual Commitments**

As of December 31, 2004, the County had the following contractual purchase commitments:

Project	Fund	Purchase Commitment	Amounts Paid as of 12/31/2004	Amounts Remaining on Contracts
1998 - 2003 Valuations	Real Estate Assessment	\$537,800	\$282,400	\$255,400

**Note 16 - Jointly Governed Organizations**

A. SouthEastern Ohio Joint Solid Waste Management District

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

The Joint Solid Waste 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 2004. No future contributions by the County are anticipated. A thirty-one member policy committee, comprised of five members from each county and one at-large member appointed by the policy committee, is responsible for preparing the solid waste management plan of the District in conjunction with a Technical Advisory Council whose members are appointed by the policy committee. Continued existence of the District is not dependent on the County's continued participation, no equity interest exists, and no debt is outstanding.

B. Guernsey-Monroe-Noble Community Action Corporation (GMN)

The Guernsey-Monroe-Noble Community Action Corporation (GMN) is a non-profit organization formed to plan, conduct and coordinate programs designed to combat social and economic problems and to help eliminate conditions of poverty within Guernsey, Monroe and Noble Counties. The agency is governed by an eighteen member board 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. The agency receives federal and state monies which are applied for and received by, and in the name of, the Board of Directors. Continued existence of the Community Action Agency is not dependent upon the County's continued participation, nor does the County have an equity interest in the agency. The agency is not accumulating significant financial resources and is not experiencing fiscal distress that may cause an additional financial benefit to or burden on the County. During 2004, the County made no contributions to the Guernsey-Monroe-Noble Community Action Corporation.

C. Southeast Ohio Juvenile Rehabilitation District (SEOJRD)

The Southeast Ohio Juvenile Rehabilitation District is a jointly governed organization among Monroe, Belmont, Harrison, Guernsey, Jefferson and Noble counties. SEOJRD 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 SEOJRD. The participating entities created a Judicial Rehabilitation Board; the members of which are made up of the juvenile judges of each participating county who determine the policy.

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2004

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A Board of Trustees has been created whose members are appointed by the juvenile judges of which Belmont County has three appointees, and Jefferson, Guernsey, Harrison, Monroe and Noble Counties each have one appointee. The facility is located on property now owned by Belmont County. Policies, procedures and the operating budget are approved by the Judicial Rehabilitation Board. The Board is not dependent upon Guernsey County for its continued existence, no debt exists, and the County does not have an equity interest in or a financial responsibility for the Board. During 2004, the County made no contributions to SEOJRD.

D. Guernsey County Family Service Council

The Guernsey County Family Service Council is a jointly governed organization created under Ohio Revised Code Section 121.37. The Council is made up of the following members: Director of the Board of Alcohol, Drug Addiction, and Mental Health Services, Director of the Guernsey County Community Mental Health Services Board, Health Commissioner of the Guernsey County Health Department, Health Commissioner of the City of Cambridge Health Department, Director of the Guernsey County Human Services, Director of the Children Services Department, Superintendent of the Guernsey County Mental Retardation and Development Disabilities, the Guernsey County Juvenile Court Judge, Superintendent of Cambridge City Schools, Mayor of the City of Cambridge, one representative from the City of Cambridge, Chair of the Guernsey County Commissioners, State Department of Youth Services Regional representative, representative from the County Head Start Agencies, a representative of the County's Early Intervention Collaborative established pursuant to the federal early intervention program operated under the "Education of the Handicapped Act Amendments of 1986", and at least three individuals representing the interests of families in the County. When possible, the number of members representing families shall be equal to twenty percent of the Council's remaining membership. In 2004, the County made no contributions to the Council. Continued existence of the Council is not dependent on the County's continued participation, no equity interest exists, and no debt is outstanding.

E. Mental Health and Recovery Services Board

The Mental Health and Recovery Services Board is a jointly governed organization. Participants are Muskingum, Coshocton, Guernsey, Perry, Morgan, and Noble Counties. The board has responsibility for development, coordinated continuation and ongoing modernization, funding, monitoring, and evaluation of community-based mental health and substance abuse programming. The Board is managed by an eighteen member board of trustees; two appointed by the Guernsey County Commissioners, eight appointed by the commissioners of the other participating counties, four by the director of the State Director of Alcohol and Drug Addiction, and four appointed by the Director of the State Department of Mental Health. The Board exercises total control, including budgeting, appropriating, contracting, and designating management.

During 2004, Guernsey County did not contribute any revenue through a levy. The revenues are provided by levies from other member counties, and state and federal grants awarded to the multi-county board. Continued existence of the Board is not dependent on County's continued participation. The County has no equity interest in, or financial responsibility for the Board. The Board has no outstanding debt.

F. 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 of which the participating entities must match twenty-five percent. SENT is comprised by thirty-two members.

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2004

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Each member's control over the operation of SENT is limited to its representation of the Board. During 2004, Guernsey County made no contributions to SENT.

G. Mid Eastern Ohio Regional Council (MEORC)

The Mid Eastern Ohio Regional Council of Governments (MEORC) is a jointly governed organization which serves fourteen counties in Ohio. MEORC provides services to the mentally retarded and developmentally disabled residents in the participating counties. The Council is made up of the superintendents of each county's Board of Mental Retardation and Developmental Disabilities. Revenues are generated by fees and state grants. Continued existence of the Council is not dependent on the County's continued participation. The County has no equity interest in, or financial responsibility for the Council. The Council has no outstanding debt. During 2004, Guernsey County voluntarily contributed \$17,872 to MEORC.

H. Ohio Mid-Eastern Governments Association (OMEGA)

Ohio Mid-Eastern Governments Association (OMEGA) is organized as an agency of the local governments by agreement among the membership. OMEGA is comprised of Belmont, Carroll, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Tuscarawas, and Columbiana Counties and other political subdivisions in the counties. OMEGA was formed to aid and assist the participating counties in the application for Appalachian Regional Commission and Economic Development grant monies. OMEGA's governing board is comprised of a total of three members from each county which appoints an executive board consisting of one person from each member county to supervise the administrative functions of OMEGA. The executive board elects officers, appoints an executive director and its own fiscal officer. The Board exercises total control, including budgeting, appropriating, contracting, and designating management. The continued existence of the Association is not dependent on the County's continued participation. The County has no equity interest in, or financial responsibility for the Association. OMEGA has no outstanding debt. During 2004, the County made no contribution to OMEGA.

I. Cambridge-Guernsey County Visitors and Convention Bureau

The Bureau is organized under State Statute by agreement between the Guernsey County Commissioners, the Cambridge Area Chamber of Commerce, and The Cambridge-Guernsey Community Improvement Corporation who acts as the fiscal agent for the Bureau. The Bureau operates the Guernsey County Tourist Information Center. The Bureau is governed by a seven member Board of Directors. The Board is comprised of one member of the Guernsey County Board of Commissioners, one member appointed by the Guernsey County Board of Commissioners, the president of the Guernsey Innkeeper's Association, one member appointed by the Guernsey County Innkeeper's Association, the president of the Chamber of Commerce, one member appointed by the Chamber of Commerce, and the executive vice president of the Chamber of Commerce. The Board exercises total control, including budgeting, appropriating, contracting, and designating management. The County collects and distributes a three percent hotel/motel lodging tax to the Bureau. The County has no equity interest in, or financial responsibility for the Bureau. The Bureau has no outstanding debt. During 2004, the County made a contribution of \$15,364 to the Cambridge Guernsey County Visitors and Convention Bureau.

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2004

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J. The Area Office on Aging

The Area Office on Aging is a regional council of governments that assists nine counties, including Guernsey County in providing services to senior citizens in the Council's service area. The Council is governed by a board of directors comprised of one representative appointed by each participating county. The board has total control over budgeting, personnel, and all other financial matters. The continued existence of the Council is not dependent on the County's continued participation. The County has no equity interest in, or financial responsibility for the Council. The Council has no outstanding debt. During 2004, the County made no contributions to the Area Office on Aging.

K. Eastern Ohio Correctional Center

The Eastern Ohio Correctional Center (EOCC) is a six county facility created pursuant to the Ohio Revised Code Section 2301.51. EOCC serves Belmont, Carroll, Columbiana, Guernsey, Harrison, and Jefferson Counties. The EOCC was formed in 1987 to offer drug treatment, education, work release, community services, and other rehabilitation services to convicted felons within the six counties. The EOCC is governed by a ten member board comprised of two common pleas court judges from Belmont, Carroll, Columbiana, and Jefferson Counties and one common pleas court judge from Guernsey and Harrison Counties. The common pleas judges appoint a citizens advisory board to assist in the operations of the EOCC. The board has total control over budgeting, personnel, and financial matters. The EOCC receives funding in the form of state grant monies which are used to provide the various services of the EOCC. Jefferson County serves as fiscal agent for EOCC. During 2004, the EOCC received no monies from Guernsey County. The continued existence of the EOCC is not dependent on the County's continued participation and the County does not have an equity interest in or a financial responsibility for the EOCC. The EOCC has no outstanding debt.

L. Southeast Area Transit

The Southeast Area Transit (SAT) was created pursuant to state statute in 1979. SAT formulates general policy for the operation of the Regional Transit Authority. Other duties of SAT include determining routes and fares, formulate operating procedures, promote and maintain community awareness, and appoint and remove the General Manager and Secretary/Treasurer. SAT is limited to a ten member board comprised of six individuals appointed by the Mayor of Zanesville, two people appointed by Muskingum County Commissioners, one individual appointed by the Mayor of South Zanesville, and one person appointed by the Guernsey County Commissioners. In 2004, Guernsey County contributed \$26,252. The continued existence of the Authority is not dependent on the County's continued participation and the County has no equity interest in or financial responsibility for the Authority. SAT has no outstanding debt.

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2004

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**Note 17 – Related Organizations**

A. Guernsey County Convention Facilities Authority

This Authority (CFA) was created pursuant to State Statutes for the purpose of constructing, equipping, and operating a convention facility in Guernsey County. The Authority operates under the direction of an eleven member appointed board of directors. This board consists of six members appointed by Guernsey County, three members appointed by the Mayor of the City of Cambridge, and two members appointed by the remaining municipal corporations located within the County. The board contracted with a private group for the construction and operation of the Pritchard-Laughlin Civic Center; this center is controlled by a private board of directors which are self-appointing and have total control over the operation of the center including budgeting, appropriating, contracting, and designation of management. The CFA levied a three percent hotel/motel tax that is collected and distributed directly to the Center by the Guernsey County Commissioners. The County is prohibited from contributing to the operations of the CFA by state law. During 2004, the County made no contributions to the Guernsey County Convention Facilities Authority.

B. Cambridge Metropolitan Housing Authority

The Cambridge Metropolitan Housing Authority is a nonprofit organization established to provide adequate public housing for low income individuals and was created pursuant to state statutes. The Authority is operated by a five member board. Two members are appointed by the mayor of the largest city in the County, one member is appointed by the probate court judge, one member is appointed by the common pleas court judge, and one member is appointed by the County Commissioners. The Authority receives funding from the Federal Department of Housing and Urban Development. The Board sets its own budget and selects its own management, and the County is not involved in the management or operation. The County is not financially accountable for the Authority. During 2004, the County made no contributions to the Cambridge Metropolitan Housing Authority.

C. Guernsey County Park District/Jackson Park

The Guernsey County Park District is governed by a three member Park District Board of Commissioners appointed by the Probate Judge of the County. State Statute provides that the County Auditor and Treasurer are Ex-officio members of the Park District Board of Commissioners and designates the County Auditor as fiscal officer of the commission. The County Commissioners do not have the ability to significantly influence operations, designate management, approve budgets, nor is the County responsible for funding deficits. The County maintains an agency fund for the District's operation since the County serves as fiscal agent for the District. During 2004, the County made a contribution of \$16,667 to the Park District.

D. Guernsey County Airport Authority

The Guernsey Airport Authority is governed by a five-member Board. The original Board was appointed by the Guernsey County Commissioners, and the Commissioners approve members to fill vacancies upon recommendation of the current Authority Board. The Authority derives its revenues from hangar rental, state and federal grants received directly by the Authority, and interest. The County is not financially accountable for the Authority; the County cannot impose its will on the Authority; and no financial benefit/burden relationship exists between the County and the Authority. During 2004, the County made a contribution of \$50,000 to the Airport Authority.

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2004

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**Note 18 – Public Entity Risk Pools**

**A. County Risk Sharing Authority, Inc.**

The County Risk Sharing Authority, Inc. (CORSA) is a jointly governed organization among thirty-nine counties in Ohio. CORSA was formed as an Ohio not-for-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.

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of CORSA 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 of Trustees. No county may have more than one representative on the Board of Trustees 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.

**B. County Commissioners Association of Ohio Service Corporation**

The County participates 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 an insurance 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 participants. The group executive committee consists of nine members. Two members are the president and treasurer of CCAOSC; the remaining seven members are representatives of the participants. These seven members are elected for the ensuing year by the participants at a meeting held in December of 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 19 - Related Party Transactions**

Guernsey Industries, a discretely presented component unit of Guernsey 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 operating revenues and operating expenses at cost or fair market value as applicable, in the basic financial statements. In 2004, these contributions were \$30,063.

**Note 20 – Contingent Liabilities**

Amounts grantor agencies pay to the County are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2004

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**Note 21 – Guernsey Industries**

**A. Summary of Significant Accounting Policies**

Guernsey Industries is a non-profit corporation located in Byesville, Ohio. The Organization is a sheltered workshop for mentally handicapped adults and provides job and learning skills to their clients. Guernsey Industries manufactures various products for sale and also provides subcontract services to local business. The Organization regularly grants credit to companies in the Cambridge and surrounding Guernsey County area.

**Basis of Accounting**

The financial statements of Guernsey Industries have been prepared on the accrual basis of accounting.

**Financial Statement Preparation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

**Contributions**

Contributions, including unconditional promises to give, are recorded as made. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. The Organization has not received any contributions with donor-imposed restrictions that would result in temporarily or permanently restricted net assets.

**Accounts Receivable**

Trade accounts receivable are carried at cost, which is the amount the Organization expects to collect on balances outstanding at year-end. Management has elected to record bad debts using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed. There were no bad debt write-offs in the years ended December 31, 2004 and 2003. The Organization does not charge interest on past due amounts. The Organization does not require collateral for amounts due.

As of December 31, 2004, 52% of Guernsey Industries outstanding accounts receivable were owed by one large manufacturing corporation located in Guernsey County, Ohio.

**Inventory**

Inventories are valued at the lower of cost or market on a first-in, first-out basis.

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2004

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Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the related assets. Maintenance and repairs are charges to operations when incurred. Renewals and betterments of a nature considered to materially extend the useful life of the assets are capitalized. When assets are retired or otherwise disposed of, the assets and related allowances for depreciation and amortization are eliminated from the accounts and any resulting gain or loss is reflected in income. Depreciation for financial reporting purposes is based on the following policies:

<u>Asset Category</u>	<u>Estimated Lives</u>	<u>Method</u>
Machinery and Equipment	5 – 10 years	Straight Line
Vehicles	5 years	Straight Line

Income Taxes

The Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)3 and has been recognized as nonprofit by the State of Ohio. Therefore, no provision has been made for federal or Ohio income taxes in the accompanying financial statements.

Advertising

The Organization expenses advertising costs as incurred.

In-Kind Contributions

In-kind contributions are recorded at fair market value and recognized in the accounting period when they are received.

Use of Estimates

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

B. Cash and Investments

The Organization considers all short-term investments with an original maturity of three months or less as cash and cash equivalents. No cash payments for income taxes or interest expense were made during the year.

Investments are carried at costs, which approximates market value. At December 31, 2004, these investments consisted of interest bearing certificates of deposits with maturity dates of greater than three months.

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2004

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C. Inventory

The components of inventory as of December 31 are as follows:

	<u>2004</u>
Materials	\$4,005
Finished Goods	<u>1,223</u>
	<u>\$5,228</u>

D. Long-Term Debt

Long-term debt consists of the following as of December 31:

	<u>2004</u>
Note Payable – Guernsey County Board of MR/DD	\$9,300
Less Current Portion	<u>(3,100)</u>
	<u>\$6,200</u>

Proceeds of the debt were used to purchase equipment. Principal repayments are due annually in the amount of \$3,100 on January 15, 2005, 2006 and 2007. The loan is interest free.

E. In-Kind Contributions

The Guernsey County Board of MR/DD (the County Board) made in-kind contributions to Guernsey Industries. The in-kind contributions for the years ended December 31 are as follows:

	<u>2004</u>
Production staff wages and fringe benefits	\$3,421
Adult program direct services wages and fringe benefits	11,941
Adult program capital costs	1,984
Adult program administrative costs	6,644
Adult program building service costs	<u>6,073</u>
	<u>\$30,063</u>

The Organization is dependent on receiving funds from the County Board in its operations. Furthermore, any capital acquisitions included in the in-kind contribution amount for the year are the property of the County Board. The Organization has the right, per contract agreement, to use these items in its operations.

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2004

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**Note 22 – Guernsey County Port Authority**

**A. Summary of Significant Accounting Policies**

Description of the Entity

The Guernsey County Port Authority, Guernsey County (the Port Authority), is a body corporate and politic established to promote, develop and advance the general welfare, commerce, and economic development of Guernsey County and its citizens, and to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A five member Board of Directors appointed by the Guernsey County Commissioners directs the Port Authority.

The Port Authority's a component unit of Guernsey County since the members of the Port Authority's Board is appointed by the Guernsey County Commissioners and the Port Authority is economically dependent on the County for financial support. The Guernsey County Commissioners contributed \$15,000 to the Port Authority in 2004.

The Port Authority's management believes this financial support presents all activities for which the Port Authority is financially accountable. The Port Authority was formed in October 2000.

The Port Authority facilitates the transfer of real property from local governmental entities to private businesses. These transactions are described as property sold and property purchased in the financial statements.

Basis of Accounting

The Port Authority follows the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

The Port Authority makes adequate disclosure of material matters prescribed or permitted by the Auditor of State.

Budgetary Process

Budget

Ohio Rev. Code Section 5482.39, requires the Port Authority to prepare an annual budget. According to the by-laws, the budget for the next calendar year will be presented for approval at the January meeting.

A summary of the 2004 budgetary activity appears on Note 22 C.

Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statement.

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2004

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B. Cash

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31, 2004 follows:

	<u>2004</u>
Demand deposits	<u>\$5,621</u>
Total deposits	<u>\$5,621</u>

C. Budgetary Activity

Budgetary activity for the year ended December 31, 2004, follows:

	<u>2004 Budgeted vs. Actual Receipts</u>		
Budgeted	Actual		
<u>Receipts</u>	<u>Receipts</u>		<u>Variance</u>
\$ 66,800	\$ 256,317		\$ (189,517)

	<u>2004 Budgeted vs. Actual Budgetary Basis Expenses</u>		
Appropriation	Budgetary		
<u>Authority</u>	<u>Expenditures</u>		<u>Variance</u>
\$ 28,636	\$ 252,553		\$(223,917)

D. Risk Management

The Port Authority has obtained commercial insurance for the following risks:

- Public Officials liability, and
- Commercial crime

E. Rural Business Enterprise Grant

The Port Authority received a grant of \$25,000 in 2004 from the U.S. Department of Agriculture. The proceeds of this grant are to be used in establishing a revolving loan fund for Guernsey County. One loan was made in 2004 and the balance due to the Port Authority as of December 31, 2004 was \$22,442.

F. Property and Real Estate Options Sold/Purchased

The Port Authority purchased several tracts of real estate from various governmental entities and sold them. The Port Authority purchased an option to purchase a piece of real estate in 2004, which expired in 2004.

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**GUERNSEY COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
DECEMBER 31, 2004**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Noncash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Food Distribution	N/A	10.550	\$	\$1,594
School Breakfast Program	05-PU-03/04	10.553	518	
National School Lunch Program	04/05-PU-03/04	10.555	3,174	
Total U.S. Department of Agriculture - Child Nutrition Cluster			3,692	1,594
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
<i>Passed Through Ohio Department of Development:</i>				
Community Development Block Grants/ State's Program	B-F-03-028-1	14.228	170,995	
	B-F-02-028-1	14.228	308	
	B-C-02-028-1	14.228	31,669	
Total Community Development Block Grants/State's Program			202,972	
Home Investments Partnerships Program	B-C-00-028-2	14.239	228,223	
Total U.S. Department of Housing and Urban Development			431,195	
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Health and Guernsey County Family &amp; Children First Council:</i>				
Special Education - Grants for Infants and Families with Disabilities - Help Me Grow Part C	N/A	84.181	54,062	
<i>Passed Through Ohio Department of Education:</i>				
Special Education Cluster:				
Special Education Grants to States (Title VI-B)	6B-SF-03P/04P	84.027	32,713	
Special Education - Preschool Grants	071118-PGS1-2004	84.173	14,681	
Total Special Education Cluster			47,394	
Total U.S. Department of Education			101,456	
<b>U.S. GENERAL SERVICES ADMINISTRATION</b>				
<i>Passed Through Ohio Secretary of State:</i>				
Election Reform Payments	04-505-HAVA-30	39.011	6,000	
Total U.S. General Services Administration			6,000	
<b>U.S. DEPARTMENT OF JUSTICE</b>				
<i>Direct Program:</i>				
Community Prosecution and Project Safe Neighborhoods	2002-GP-CX-0187	16.609	40,004	
Total U.S. Department of Justice			40,004	

**GUERNSEY COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
DECEMBER 31, 2004  
(Continued)**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Noncash Disbursements
<b>U.S. DEPARTMENT OF LABOR</b>				
<i>Passed Through Ohio Department of Job and Family Services:</i>				
Workforce Investment Act Cluster:				
WIA Youth Activities	N/A	17.259	189,811	
WIA Youth - Administrative			46,313	
<i>Passed through Workforce Investment Act, Area 7:</i>				
WIA Youth Activities	N/A	17.259	22,631	
WIA Youth - Administrative			5,277	
WIA Youth - Total			<u>264,032</u>	
<i>Passed Through Ohio Department of Job and Family Services:</i>				
WIA Adult Program	N/A	17.258	58,721	
WIA Adult - Administrative			23,278	
<i>Passed through Workforce Investment Act, Area 7:</i>				
WIA Adult Program	N/A	17.258	66,362	
WIA Adult - Administrative			2,652	
WIA Adult - Total			<u>151,013</u>	
<i>Passed Through Ohio Department of Job and Family Services:</i>				
WIA Dislocated Workers	N/A	17.260	135,411	
WIA Dislocated Workers - Administrative			11,235	
<i>Passed through Workforce Investment Act, Area 7:</i>				
WIA Dislocated Workers	N/A	17.260	7,141	
WIA Dislocated Workers - Administrative			1,280	
WIA Dislocated Workers - Total			<u>155,067</u>	
Total Workforce Investment Act Cluster			<u>570,112</u>	
Total U.S. Department of Labor			<u>570,112</u>	
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
<i>Passed through Ohio Department of Transportation:</i>				
Highway Planning and Construction	N/A	20.205	<u>552,891</u>	
Total U.S. Department of Transportation			<u>552,891</u>	



**GUERNSEY COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
DECEMBER 31, 2004  
(Continued)**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Noncash Disbursements
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities (MRDD):</i>				
Social Services Block Grant (Title XX)	N/A	93.667	34,700	
Medicaid Cluster:				
Title XIX CAFS (Medical Assistance Program)	N/A	93.778	545,427	
Title XIX TCM	N/A	93.778	110,107	
Total Medicaid Cluster			655,534	
Total U.S. Department of Health and Human Services			690,234	
<b>U.S. DEPARTMENT OF HOMELAND SECURITY - FEDERAL EMERGENCY MANAGEMENT AGENCY</b>				
<i>Passed through Ohio Department of Public Safety - EMA:</i>				
Public Assistance Grants (County Engineer)	059-OC4A9-00	97.036		
Disaster #1507			877,243	
Disaster #1519			184,595	
Disaster #1556			114,444	
Total Public Assistance Grants (County Engineer)			1,176,282	
Interagency Hazardous Materials Public Sector Training and Planning Grants	N/A	20.703	977	
Emergency Management Performance Grant	EMC-2004-GR-7007	97.042	28,374	
State Domestic Preparedness Equipment Support Program:				
FY02 State Homeland Security Grant - Equipment Support Program	2002-TE-CX-0106	97.004	2,280	
FY03 State Homeland Security Grant - Part 2	2003-MUP-30015	97.004	5,884	
FY03 State Homeland Security Grant - Equipment	2003-TE-TX-0199	97.004	78,000	
FY03 State Homeland Security Grant - Equipment II	2003-MUP-30015	97.004	117,992	
FY03 State Homeland Security Grant - Planning and Administration	2003-TE-TX-0199	97.004	9,000	
FY03 State Homeland Security Grant - Planning and Administration II	2003-MUP-30015	97.004	20,361	
FY03 State Homeland Security Part 1 Grant K474	S04-HT03-20-0554	97.004	1,319	
FY04 State Homeland Security Grant	2004-GE-T4-0025	97.004	72,493	
Total State Domestic Preparedness Equipment Support Program			307,329	
FY04 ODP Citizens Corp Program Grant	2004-GC-T4-0025	97.053	3,637	
FY03 Community Emergency Response Teams	EMC-2003-GR-7066	97.054	5,265	
Total U.S. Department of Homeland Security - Federal Emergency Management Agency			1,521,864	
<b>Total Federal Awards Expenditures</b>			<b>\$3,917,448</b>	<b>\$1,594</b>

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

## **GUERNSEY COUNTY**

### **NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES DECEMBER 31, 2004**

#### **NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

#### **NOTE B – SUBRECIPIENTS**

The County passes-through certain Federal assistance received from the Ohio Department of Development to other governments. As described in Note A, the County records expenditures of Federal awards to subrecipients when paid in cash.

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

#### **NOTE C – CHILD NUTRITION CLUSTER**

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

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

#### **NOTE D – MATCHING REQUIREMENTS**

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



## Auditor of State Betty Montgomery

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

Guernsey County  
627 Wheeling Avenue  
Cambridge, Ohio 43725

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Guernsey County, Ohio (the County), as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 23, 2005, wherein we noted that except for Guernsey Industries, Inc., the County uses a comprehensive basis of accounting other than generally accepted accounting principles. We also noted that we did not audit the financial statements of the Guernsey County Port Authority, the discretely presented component unit. Other auditors audited those financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Other auditors audited the financial statements of Guernsey Industries, Inc. in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards* and accordingly this report does not extend to that component unit.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the County's management dated December 23, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### Compliance and Other Matters

As part of reasonably assuring whether the County's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2004-001 through 2004-003. In a separate letter to the County's management dated December 23, 2005, we reported other matters related to noncompliance we deemed immaterial.

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Guernsey County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

December 23, 2005



## Auditor of State Betty Montgomery

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

Guernsey County  
627 Wheeling Avenue  
Cambridge, Ohio 43725

To the Board of County Commissioners:

#### Compliance

We have audited the compliance of Guernsey County, Ohio (the County), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended December 31, 2004. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

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

#### Internal Control over Compliance

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

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted another matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the County's management in a separate letter dated December 23, 2005.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

December 23, 2005

**GUERNSEY COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A-133 §.505**  
**DECEMBER 31, 2004**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
----------------------------------------

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Workforce Investment Act Cluster - CFDA #17.258, 17.259 and 17.260  Public Assistance Grants - CFDA #97.036, and  State Domestic Preparedness Equipment Support Program – CFDA #97.004
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

**GUERNSEY COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A-133 §.505**  
**DECEMBER 31, 2004**  
**(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
-------------------------------------------------------------------------------------------------------------

**FINDING NUMBER 2004-001**

**Finding for Recovery Repaid Under Audit**

Ohio Rev. Code Section 325.12(B) states, in part, there shall be allowed annually to the prosecuting attorney, an amount equal to one-half of the salary specified for a prosecuting attorney with a private practice under Revised Code Sections 325.11 and 325.18, to provide for expenses the prosecuting attorney may incur in the performance of the prosecuting attorney's official duties and in the furtherance of justice.

During 2004, the former Assistant Prosecuting Attorney Daniel Padden, currently the Guernsey County Prosecuting Attorney, attended a conference of the Ohio Prosecuting Attorney's Association at Cedar Point Resorts in Sandusky, Ohio. A "ride and slide ticket" was purchased with furtherance of justice funds in the amount of \$248. This expenditure was determined to be for a personal expense and not within the performance of the official duties of the prosecuting attorney. When this was brought to the attention of Mr. Padden he indicated this was an oversight and immediately issued a check to Guernsey County for repayment.

On October 19, 2005, Daniel Padden, Guernsey County Prosecuting Attorney, issued check number 4685 to Guernsey County for \$248 as repayment for the above noted expenditure. This check was paid into the Guernsey County General Fund on October 20, 2005.

We will consider this a finding for recovery repaid under audit.

**FINDING NUMBER 2004-002**

**Noncompliance Citation**

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Admin. Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Admin. Code Section 117-2-03(B) requires the County to file its annual financial report pursuant to generally accepted accounting principles. However, the County prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the County may be fined and subject to various other administrative remedies for its failure to file the required financial report.

We recommend the County take the necessary steps to ensure that the annual financial report is prepared on a generally accepted accounting principles basis.



**GUERNSEY COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A-133 §.505**  
**DECEMBER 31, 2004**  
**(Continued)**

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS**  
**REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2004-003**

**Noncompliance Citation**

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

At December 31, 2004, the following fund reflected expenditures which exceeded appropriations at the legal level of control:

<u>Fund/Function</u>	<u>Authority</u>	<u>Disbursements</u>	<u>Variance</u>
Motor Vehicle and Gasoline Tax: Capital Outlay	\$185,000	\$560,795	(\$375,795)

This violation was created due to an audit adjustment to record a receipt and expenditure for the Highway Planning and Construction Grant paid by the Ohio Department of Transportation directly to the contractor on-behalf-of Guernsey County. Auditor of State Bulletin 2000-008 addresses the proper accounting treatment for these on-behalf-of programs.

We recommend that when the County Auditor is made aware of the County receiving an on-behalf-of grant from the State or Federal government, that the guidance of Auditor of State Bulletin 2000-008 is followed so the proper accounting treatment can be applied to the transaction.

**3. FINDINGS FOR FEDERAL AWARDS**

There were no findings related to federal awards that were required to be reported herein.

**GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 §.315(b)  
DECEMBER 31, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2003-001	Ohio Rev. Code Section 5705.41 (D) – certification of available funds prior to incurring the obligation.	No	Partially Corrected; No longer deemed material; We will issue in the management letter.
2003-002	Ohio Rev. Code Section 5705.41 (B) – expenditures exceeding appropriations within the Motor Vehicle and Gasoline Tax Fund.	No	Not Corrected; Reissued as Finding No. 2004-003.
2003-003	The self-insurance account was not reconciled from September 2003 through December 2003.	No	Partially Corrected; No longer deemed material; We will issue in the management letter.

**GUERNSEY COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A-133 §.315(c)  
DECEMBER 31, 2004**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2004-001	N/A-Finding was repaid under audit.	N/A	N/A.
2004-002	The County will continue to prepare its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles for 2005.	N/A	Tony Brown, County Auditor
2004-003	The County Auditor plans to discuss with appropriate department heads to keep him informed of any on-behalf-of grants awarded to the County so the proper accounting treatment of these grants can be performed.	December 31, 2005	Tony Brown, County Auditor





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## **FINANCIAL CONDITION**

### **GUERNSEY 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  
FEBRUARY 9, 2006**