



**Auditor of State
Betty Montgomery**

GUERNSEY COUNTY

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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, each major fund and the aggregate discretely presented component units and the aggregate remaining fund information of Guernsey County, Ohio (the County), as of and for the year ended December 31, 2003, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Guernsey Industries, a discretely presented component unit of the County, which represents .4 percent, 2.2 percent and 1.0 percent, respectively, of the assets, fund balances/net assets and revenues of the aggregate discretely-presented component units and remaining fund information. 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 on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and the aggregate remaining fund information of Guernsey County, Ohio, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General, Public Assistance, Motor Vehicle and Gasoline Tax, and Mental Retardation and Developmental Disabilities Funds thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2004, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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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, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



Betty Montgomery
Auditor of State

November 4,
2004

Guernsey County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2003
Unaudited

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, 2003. The intent of this discussion and analysis is to look at the County's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2003 are as follows:

- At the end of the current year, net assets of the primary government decreased \$5,396,008 from \$94,109,869 to \$88,713,861.
- For the primary government, general revenues accounted for \$13,282,065 in revenue or 34.3 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$25,353,647 or 65.6 percent of total revenues of \$38,635,712.
- At the end of the current year, the County's governmental funds reported a combined ending fund balance of \$14,581,357, a decrease of \$1,042,003 from the prior year. Of this amount, \$14,480,025 is available for spending (unreserved undesignated fund balance) on behalf of its citizens.
- The primary government had \$44,031,720 in expenses of which \$25,353,647 of these expenses were offset by program specific charges for services and sales, grants, contributions, or interest. General revenues, comprised primarily of property taxes in the amount of \$5,427,002, were not adequate to provide for these programs.

Using This Annual Financial Report

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

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

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

County-Wide Financial Statements

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

Statement of Net Assets

While this document contains information about the funds used by the County to provide services to our citizens, the view of the County as a whole looks at all financial transactions and asks the question, "How did we do financially during 2003?" The *Statement of Net Assets* and the *Statement of Activities* answers this

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question.

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

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

In the statement of net assets and the statement of activities, the County is divided into 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 revenues, including federal and state grants and other shared revenues.

Business-Type Activities - These services are provided on a charge for goods or services basis to recover all or most of the cost of the services provided. The County's Water and Sewer systems are reported here.

Component Unit - The County's financial statements include financial data of the Guernsey County Port Authority and Guernsey Industries. These component units are described in the notes to the financial statements. The component units are separate and may purchase, 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, and the Job and Family Services (Public Assistance), Motor Vehicle and Gasoline Tax (MVGTT), and Mental Retardation and Developmental Disabilities (MRDD) Special Revenue Funds.

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

Guernsey County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2003
Unaudited

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

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

Proprietary Funds - The County maintains 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 and liabilities 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. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

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

Guernsey County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2003
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Government-Wide Financial Analysis

Table 1 provides a summary of the County's net assets for 2003 compared to 2002:

	Net Assets					
	Governmental Activities		Business-Type Activities		Totals	
	2003	2002	2003	2002	2003	2002
Assets:						
Current and						
Other Assets	\$28,750,814	\$27,395,395	\$962,557	\$1,234,753	\$29,713,371	\$28,630,148
Capital Assets, Net	78,421,006	79,469,248	4,387,110	4,281,060	82,808,116	83,750,308
Totals Assets	107,171,820	106,864,643	5,349,667	5,515,813	112,521,487	112,380,456
Liabilities:						
Current and						
Other Liabilities	8,968,062	7,514,732	88,857	114,791	9,056,919	7,629,523
Long-Term Liabilities	13,152,164	8,991,114	1,598,543	1,649,950	14,750,707	10,641,064
Total Liabilities	22,120,226	16,505,846	1,687,400	1,764,741	23,807,626	18,270,587
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	66,964,589	71,764,040	2,844,525	2,683,909	69,809,114	74,447,949
Restricted	16,172,735	13,374,187	0	0	16,172,735	13,374,187
Unrestricted	1,914,270	5,220,570	817,742	1,067,163	2,732,012	6,287,733
Total Net Assets	\$85,051,594	\$90,358,797	\$3,662,267	\$3,751,072	\$88,713,861	\$94,109,869

As noted earlier, the County's net assets, when reviewed over time, may serve as a useful indicator of the County's financial position. In the case of the County, assets exceeded liabilities by \$88,713,861 (\$85,051,594 in governmental activities and \$3,662,267 in business-type activities) as of December 31, 2003. By far, the largest portion of the County's net assets (78.7 percent) reflects its investment in capital assets (e.g., land, buildings, improvements other than buildings, furniture and fixtures, machinery and equipment, vehicles, and infrastructure), less any related debt, used to acquire those assets, that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net assets, \$16,172,735 or 18.2 percent, represents resources that are subject to restrictions on how they can be used. The remaining balance of unrestricted assets, \$2,732,012 or 3.1 percent, are to be used to meet the County's ongoing obligations to citizens and creditors.

Table 2 shows the changes in net assets for 2003 compared to 2002:

Guernsey County, Ohio
Management's Discussion and Analysis
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Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Revenues:						
Program Revenues						
Charges for Services	\$3,595,104	\$3,795,278	\$1,701,818	\$1,778,978	\$5,296,922	\$5,574,256
Operating Grants, Contributions, and Interest	19,889,349	19,038,749	0	0	19,889,349	19,038,749
Capital Grants, Contributions, and Interest	110,470	830,256	56,906	0	167,376	830,256
Total Program Revenues	<u>23,594,923</u>	<u>23,664,283</u>	<u>1,758,724</u>	<u>1,778,978</u>	<u>25,353,647</u>	<u>25,443,261</u>
General Revenues						
Property Taxes	5,427,002	4,972,877	0	0	5,427,002	4,972,877
Permissive Taxes	5,223,689	5,303,637	0	0	5,223,689	5,303,637
Intergovernmental	1,856,331	1,852,972	0	0	1,856,331	1,852,972
Interest	412,940	812,534	0	6,653	412,940	819,187
Miscellaneous	362,096	397,630	7	367,056	362,103	764,686
Total General Revenues	<u>13,282,058</u>	<u>13,339,650</u>	<u>7</u>	<u>373,709</u>	<u>13,282,065</u>	<u>13,713,359</u>
Total Revenues	<u>36,876,981</u>	<u>37,003,933</u>	<u>1,758,731</u>	<u>2,152,687</u>	<u>38,635,712</u>	<u>39,156,620</u>
Transfers	(78,663)	(51,109)	78,663	51,109	0	0
Total Revenues and Transfers	36,798,318	36,952,824	1,837,394	2,203,796	38,635,712	39,156,620
Program Expenses:						
General Government						
Legislative and Executive	5,121,907	4,701,745	0	0	5,121,907	4,701,745
Judicial	2,627,324	2,756,703	0	0	2,627,324	2,756,703
Public Safety	3,405,721	3,095,408	0	0	3,405,721	3,095,408
Public Works	11,731,112	9,631,647	0	0	11,731,112	9,631,647
Health	5,577,953	5,195,039	0	0	5,577,953	5,195,039
Human Services	12,207,583	12,318,960	0	0	12,207,583	12,318,960
Economic Development and Assistance	780,820	583,732	0	0	780,820	583,732
Intergovernmental	282,219	0	0	0	282,219	0
Interest and Fiscal Charges	370,882	414,442	0	0	370,882	414,442
Sewer	0	0	210,078	148,926	210,078	148,926
Water	0	0	1,716,121	1,712,137	1,716,121	1,712,137
Total Expenses	<u>42,105,521</u>	<u>38,697,676</u>	<u>1,926,199</u>	<u>1,861,063</u>	<u>44,031,720</u>	<u>40,558,739</u>
Change in Net Assets	<u>(\$5,307,203)</u>	<u>(\$1,744,852)</u>	<u>(\$88,805)</u>	<u>\$342,733</u>	<u>(\$5,396,008)</u>	<u>(\$1,402,119)</u>

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Management's Discussion and Analysis
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Unaudited

Governmental Activities

Operating grants were the largest program revenues, accounting for \$19,889,349 or 54 percent of total governmental revenues. The major recipients of intergovernmental program revenues were the Job and Family Services (Public Assistance), Motor Vehicle and Gasoline Tax, Child Support Enforcement Agency (CSEA), and Mental Retardation and Developmental Disabilities (MRDD) governmental activities.

Property tax revenues account for \$5,427,002 or 14.7 percent of total governmental revenues. Another major component of general governmental revenues was permissive sales taxes, which accounted for \$5,223,689 or 14.1 percent of total revenues.

The County's direct charges to users of governmental services made up \$3,595,104 or 9.7 percent of total governmental revenues. These charges are for fees for real estate transfers, fees associated with the collection of property taxes, fees collected by the various departments within the County, fines and forfeitures related to judicial activity, and licenses and permits.

Human services programs accounted for \$12,207,583, or 29 percent of total expenses for governmental activities. The next largest program expense for governmental activities are public works programs, which accounted for \$11,731,112, or 27.9 percent of total expenses, and health programs, which accounted for \$5,577,953, or 13.2 percent of total expenses.

Table 3, for governmental activities, indicates the total cost of services and the net cost of services for 2003 as compared to 2002. The statement of activities reflects the cost of program services and the charges for services, and sales, grants, contributions, and interest offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues.

Table 3
Governmental Activities

	Total Cost of Services 2003	Net Cost of Services 2003	Total Cost of Services 2002	Net Cost of Services 2002
General Government				
Legislative and Executive	\$5,121,907	\$3,314,429	\$4,701,745	\$2,962,842
Judicial	2,627,324	1,396,870	2,756,703	1,452,128
Public Safety	3,405,721	2,826,021	3,095,408	2,576,292
Public Works	11,731,112	5,093,285	9,631,647	3,372,815
Health	5,577,953	3,272,172	5,195,039	2,044,892
Human Services	12,207,583	1,878,281	12,318,960	2,096,929
Economic Development and Assistance	780,820	76,439	583,732	113,053
Intergovernmental	282,219	282,219	0	0
Interest and Fiscal Charges	370,882	370,882	414,442	414,442
Total Expenses	\$42,105,521	\$18,510,598	\$38,697,676	\$15,033,393

Charges for services, operating grants, capital grants, and interest of \$23,594,923, or 56.0 percent of the total costs of services, are received and used to fund the governmental activities expenses of the County. The remaining \$18,510,598 in governmental activities expenses are funded by property taxes, permissive sales taxes, intergovernmental revenues, interest, and miscellaneous revenues, with a shortfall of \$5,307,203.

The \$3,314,429 in net costs for Legislative and Executive demonstrates the need for property tax revenues in the County.

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The \$3,272,172 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 the Mental Retardation and Developmental Disabilities program.

The \$1,878,281 in net costs of services for Human Services demonstrates the costs of services that are not supported from state and federal resources. As such, the taxpayers have approved a property tax levy for the Childrens Services Board program. There is still a \$953,019 shortfall in revenue for Human Services.

Business -Type Activities

Net assets for business-type activities decreased by \$88,805 during 2003. Charges for services was the most significant of program revenues, accounting for \$1,701,818, or 92.6 percent of total business-type revenues.

Financial Analysis of County Funds

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

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

As of December 31, 2003, the County's governmental funds reported a combined ending fund balance of \$14,581,357, a decrease of \$1,042,003 in comparison with the prior year. \$14,480,025, or 99.3 percent of this total, constitutes unreserved undesignated fund balance, which is available for spending within the limits of the purpose of each fund. 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 (\$48,355) or reserved for claimants (\$52,977). 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 2003, unreserved fund balance was \$1,944,121, while total fund balance for governmental funds was \$14,581,357. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 17.0 percent to total General Fund expenditures, while total fund balance represents 18.0 percent of that same amount.

The fund balance of the County's General Fund decreased by \$2,703,910 during 2003. This demonstrates that the County's General Fund has experienced a combination of decreased revenues and increased expenditures from the prior year.

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Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2003
Unaudited

Proprietary Funds - The County maintains two different types of proprietary funds. Enterprise funds are used to report functions presented as business-type activities on the government-wide financial statements. The County uses enterprise funds to account for 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 County uses an internal service fund to account for the self-insurance program. The Self-Insurance Fund accounts for the claims and liabilities relating to the County's self-insured hospitalization program.

As of December 31, 2003, net assets for the County's enterprise funds were \$3,662,267. Of that total, \$817,742 represents unrestricted net assets that are available for spending at the County's discretion.

As of December 31, 2003, unrestricted net assets in the self-insurance program were (\$136,658). Program revenues (premiums) were insufficient to cover rising claims activity in the County's self-insured hospitalization program during 2003. Claim payments exceeded premiums paid into the Internal Service Fund by \$684,835.

Budgetary Highlights

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

For the General Fund, changes from the original budget to the final budget have been minimal. The same scenario holds true for the major special revenue funds of the County. Fluctuations in growth and diversity have typically not occurred in Guernsey County, allowing department managers the ability to consistently predict revenues and expenditures.

For the Motor Vehicle and Gasoline Tax Fund, there were significant variances between the budget and actual amounts for intergovernmental revenues and public work expenditures, as well as, intergovernmental expenditures. The County failed to record any budgetary activity for the \$2,187,128 Highway Planning and Construction grant causing budgetary variances of \$1,702,789 and \$282,219, respectively, in the public works expenditures and intergovernmental expenditures.

Capital Assets and Debt Administration

Capital Assets - The County's capital assets for governmental and business-type activities as of December 31, 2003, were \$82,808,116 (net of accumulated depreciation). This includes land, buildings and improvements, improvements other than buildings, furniture and fixtures, machinery and equipment, vehicles, and infrastructure.

For governmental activities, significant capital asset additions during 2003 included the replacement and additions of bridges and road resurfacing projects and improvements other than buildings throughout the County as well as the construction of improvements that are not completed as of the end of the year (construction in progress).

For business-type activities, major capital asset additions during 2003 included the completion of various waterline and sewer projects.

Guernsey County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2003
Unaudited

Note 10 (Capital Assets) provides capital asset activity during 2003.

Long Term Debt - As of December 31, 2003, the County had total general obligation bonded debt outstanding principal of \$10,451,699. All of this debt is expected to be repaid through governmental activities. The County's long-term general obligation bonded debt increased by \$5,651,657 during 2003. Other outstanding long-term debt included special assessment bonds of \$590,444, long-term notes payable of \$455,000, OPWC loans of \$86,176, enterprise general obligation bonds of \$522,892 and OWDA loans of \$1,019,693.

In addition to the bonded debt, the County's long-term obligations include compensated absences and capital lease liabilities. Additional information on the County's long-term debt can be found in Note 17 of this report.

The County's unvoted debt margin at December 31, 2003, is approximately \$10,301,531, and an overall debt margin of \$12,729,032.

The county does not have a current rating on the outstanding general obligation debt of the County. However, a Aaa credit rating was listed on the bonds since the County purchased insurance from Financial Guaranty Insurance Company guaranteeing bond payments.

Economic Factors

The County's population estimate is currently 40,959 with an unemployment rate of 5.4 percent, which is based on the 2000 census. This rate is attributed to the impact of the national and local recession.

The County's permissive sales tax revenues have remained fairly consistent over the past three years, despite uncertain economic conditions. It is anticipated that permissive sales tax revenues for 2004 will remain steady. No significant growth or decline is anticipated.

The County's general fund balance has managed to remain steady or increase slightly in recent years with the exception of 2003 in which it had a significant decrease.

The various economic factors were considered in the preparation of the County's 2003 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
December 31, 2003

	Primary Government			Component Units	
	Governmental Activities	Business - Type Activities	Total	Guernsey County Port Authority	Guernsey Industries
Assets					
Equity in Pooled Cash and Cash Equivalents	\$14,388,615	\$787,471	\$15,176,086	\$1,856	\$0
Cash and Cash Equivalents with Fiscal Agents	728,925	0	728,925	0	0
Cash and Cash Equivalents	0	0	0	0	70,950
Permissive Sales Taxes Receivable	852,076	0	852,076	0	0
Accounts Receivable	20,111	168,480	188,591	0	25,682
Internal Balances	(537)	537	0	0	0
Investments	89,064	0	89,064	0	41,881
Intergovernmental Receivable	4,853,104	0	4,853,104	0	0
Property Taxes Receivable	6,549,189	0	6,549,189	0	0
Prepaid Items	154,987	1,419	156,406	0	0
Accrued Interest Receivable	75,378	0	75,378	0	0
Materials and Supplies Inventory	187,089	4,650	191,739	0	9,503
Special Assessments Receivable	595,688	0	595,688	0	0
Unamortized Bond Issuance Costs	257,125	0	257,125	0	0
Non-Depreciable Capital Assets	22,298,249	418,697	22,716,946	0	0
Depreciable Capital Assets, Net	56,122,757	3,968,413	60,091,170	0	22,937
<i>Total Assets</i>	<u>107,171,820</u>	<u>5,349,667</u>	<u>112,521,487</u>	<u>1,856</u>	<u>170,953</u>
Liabilities					
Accounts Payable	537,816	31,340	569,156	0	4,617
Accrued Expenses	0	0	0	0	196
Contracts Payable	154,473	0	154,473	0	0
Retainage Payable	52,679	0	52,679	0	0
Accrued Wages and Benefits	386,093	13,530	399,623	0	0
Intergovernmental Payable	546,104	26,733	572,837	0	0
Accrued Interest Payable	47,614	17,254	64,868	0	0
Matured Compensated Absences Payable	347	0	347	0	0
Claims Payable	304,400	0	304,400	0	0
Deferred Revenue	6,938,536	0	6,938,536	0	0
Deferred Income	0	0	0	0	9,974
Long-Term Liabilities:					
Due Within One Year	1,788,179	141,951	1,930,130	0	0
Due In More Than One Year	11,363,985	1,456,592	12,820,577	0	0
<i>Total Liabilities</i>	<u>22,120,226</u>	<u>1,687,400</u>	<u>23,807,626</u>	<u>0</u>	<u>14,787</u>
Net Assets					
Invested in Capital Assets, Net of Related Debt	66,964,589	2,844,525	69,809,114	0	0
Restricted for:					
Capital Projects	2,954,970	0	2,954,970	0	0
Debt Service	922,826	0	922,826	0	0
Other Purposes	12,294,939	0	12,294,939	0	0
Unrestricted (Deficit)	1,914,270	817,742	2,732,012	1,856	156,166
<i>Total Net Assets</i>	<u>\$85,051,594</u>	<u>\$3,662,267</u>	<u>\$88,713,861</u>	<u>\$1,856</u>	<u>\$156,166</u>

See accompanying notes to the basic financial statements

Guernsey County, Ohio
Statement of Activities
For the Year Ended December 31, 2003

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest
Programs				
Primary Government:				
Governmental Activities:				
General Government:				
Legislative and Executive	\$5,121,907	\$1,745,898	\$59,973	\$1,607
Judicial	2,627,324	774,718	455,736	0
Public Safety	3,405,721	135,444	444,256	0
Public Works	11,731,112	270,555	6,258,409	108,863
Health	5,577,953	418,907	1,886,874	0
Human Services	12,207,583	249,582	10,079,720	0
Economic Development and Assistance	780,820	0	704,381	0
Intergovernmental	282,219	0	0	0
Interest and Fiscal Charges	370,882	0	0	0
<i>Total Governmental Activities</i>	<u>42,105,521</u>	<u>3,595,104</u>	<u>19,889,349</u>	<u>110,470</u>
Business-Type Activities:				
Sewer	210,078	195,386	0	0
Water	1,716,121	1,506,432	0	56,906
<i>Total Business-Type Activities</i>	<u>1,926,199</u>	<u>1,701,818</u>	<u>0</u>	<u>56,906</u>
<i>Total Primary Government</i>	<u>\$44,031,720</u>	<u>\$5,296,922</u>	<u>\$19,889,349</u>	<u>\$167,376</u>
Component Units:				
Guernsey County Port Authority	\$24,674	\$5,000	\$7,975	\$0
Guernsey Industries	270,717	222,471	1,905	0
<i>Total Component Units</i>	<u>\$295,391</u>	<u>\$227,471</u>	<u>\$9,880</u>	<u>\$0</u>

General Revenues

Property Taxes Levied for General Purposes
Property Taxes Levied for:
 Health - Health Levy
 Health - County Home
 Health - Senior Citizens
 Health - Mental Retardation and Developmental Disabilities
 Human Services - Childrens Services
Other Taxes Levied for Public Works
Permissive Sales Taxes Levied for General Purposes
Permissive Sales Taxes Levied for Debt Service
Grants and Entitlements not Restricted to Specific Programs
Investment Earnings
Miscellaneous
In-Kind Contribution
Total General Revenues

Transfers

Change in Net Assets

Net Assets Beginning of Year - Restated (See Note 3)

Net Assets End of Year

See accompanying notes to the basic financial statements

Net Expense and
Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business - Type Activities	Total	Guernsey County Port Authority	Guernsey Industries
(\$3,314,429)	\$0	(\$3,314,429)	\$0	\$0
(1,396,870)	0	(1,396,870)	0	0
(2,826,021)	0	(2,826,021)	0	0
(5,093,285)	0	(5,093,285)	0	0
(3,272,172)	0	(3,272,172)	0	0
(1,878,281)	0	(1,878,281)	0	0
(76,439)	0	(76,439)	0	0
(282,219)	0	(282,219)	0	0
(370,882)	0	(370,882)	0	0
<u>(18,510,598)</u>	<u>0</u>	<u>(18,510,598)</u>	<u>0</u>	<u>0</u>
0	(14,692)	(14,692)	0	0
0	(152,783)	(152,783)	0	0
0	(167,475)	(167,475)	0	0
<u>(18,510,598)</u>	<u>(167,475)</u>	<u>(18,678,073)</u>	<u>0</u>	<u>0</u>
0	0	0	(11,699)	0
0	0	0	0	(46,341)
0	0	0	(11,699)	(46,341)
1,206,038	0	1,206,038	0	0
331,419	0	331,419	0	0
42,752	0	42,752	0	0
427,509	0	427,509	0	0
2,348,441	0	2,348,441	0	0
925,262	0	925,262	0	0
145,581	0	145,581	0	0
4,747,108	0	4,747,108	0	0
476,581	0	476,581	0	0
1,856,331	0	1,856,331	0	0
412,940	0	412,940	34	1,249
362,096	7	362,103	0	0
0	0	0	0	36,363
<u>13,282,058</u>	<u>7</u>	<u>13,282,065</u>	<u>34</u>	<u>37,612</u>
(78,663)	78,663	0	0	0
(5,307,203)	(88,805)	(5,396,008)	(11,665)	(8,729)
<u>90,358,797</u>	<u>3,751,072</u>	<u>94,109,869</u>	<u>13,521</u>	<u>164,895</u>
<u>\$85,051,594</u>	<u>\$3,662,267</u>	<u>\$88,713,861</u>	<u>\$1,856</u>	<u>\$156,166</u>

Guernsey County, Ohio
Balance Sheet
Governmental Funds
December 31, 2003

	General	Public Assistance	Motor Vehicle and Gasoline Tax	Mental Retardation and Developmental Disabilities	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$1,435,313	\$945,012	\$498,181	\$4,562,717	\$6,779,650	\$14,220,873
Cash and Cash Equivalents with Fiscal Agents	0	0	0	728,925	0	728,925
Investments	0	0	0	0	89,064	89,064
Receivables:						
Property Taxes	1,340,779	0	0	3,094,105	2,114,305	6,549,189
Permissive Sales Taxes	795,836	0	0	0	56,240	852,076
Accounts	14,897	0	0	139	5,075	20,111
Intergovernmental	647,441	0	2,466,258	598,872	1,140,533	4,853,104
Interfund	73,646	76,192	0	36,196	5,420	191,454
Accrued Interest	75,378	0	0	0	0	75,378
Special Assessments	0	0	0	0	595,688	595,688
Materials and Supplies Inventory	16,753	10,169	135,738	23,682	747	187,089
Prepaid Items	71,854	489	0	79,345	3,299	154,987
<i>Total Assets</i>	<u>\$4,471,897</u>	<u>\$1,031,862</u>	<u>\$3,100,177</u>	<u>\$9,123,981</u>	<u>\$10,790,021</u>	<u>\$28,517,938</u>
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$148,479	\$37,378	\$86,610	\$171,944	\$93,405	\$537,816
Contracts Payable	153,531	0	0	942	0	154,473
Retainage Payable	52,679	0	0	0	0	52,679
Accrued Wages and Benefits	67,148	94,603	31,780	99,813	92,749	386,093
Matured Compensated Absences Payable	347	0	0	0	0	347
Interfund Payable	0	96,899	0	0	95,092	191,991
Intergovernmental Payable	167,270	137,172	96,193	48,358	97,111	546,104
Deferred Revenue	1,837,884	1,125,661	1,948,124	3,410,445	3,744,964	12,067,078
<i>Total Liabilities</i>	<u>2,427,338</u>	<u>1,491,713</u>	<u>2,162,707</u>	<u>3,731,502</u>	<u>4,123,321</u>	<u>13,936,581</u>
Fund Balances						
Reserved for Encumbrances	47,461	0	0	0	894	48,355
Reserved for Claimants	52,977	0	0	0	0	52,977
Unreserved:						
Undesignated, Reported in:						
General Fund	1,944,121	0	0	0	0	1,944,121
Special Revenue Funds (Deficit)	0	(459,851)	937,470	5,392,479	3,308,008	9,178,106
Debt Service Funds	0	0	0	0	402,828	402,828
Capital Projects Funds	0	0	0	0	2,954,970	2,954,970
<i>Total Fund Balances (Deficit)</i>	<u>2,044,559</u>	<u>(459,851)</u>	<u>937,470</u>	<u>5,392,479</u>	<u>6,666,700</u>	<u>14,581,357</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$4,471,897</u>	<u>\$1,031,862</u>	<u>\$3,100,177</u>	<u>\$9,123,981</u>	<u>\$10,790,021</u>	<u>\$28,517,938</u>

See accompanying notes to the basic financial statements

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

Total Governmental Fund Balances		\$14,581,357
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.		78,421,006
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Taxes	736,314	
Special Assessments	595,688	
Intergovernmental	3,721,162	
Interest	75,378	
Total	5,128,542	5,128,542
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		(136,658)
Unamortized issuance costs are reported as deferred charges on the Statement of Net Assets but as an expenditure on the fund financial statements which do not provide current financial resources and, therefore, are not reported in the funds.		257,125
Long-term liabilities and accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(10,451,699)	
Compensated Absences	(1,385,897)	
Accrued Interest Payable	(47,614)	
Special Assessments Bonds	(590,444)	
OPWC Loans Payable	(86,176)	
Long-Term Notes Payable	(455,000)	
Capital Leases	(182,948)	
Total	(13,199,778)	(13,199,778)
 Net Assets of Governmental Activities		 \$85,051,594

See accompanying notes to the basic financial statements

Guernsey County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2003

	General	Public Assistance	Motor Vehicle and Gasoline Tax	Mental Retardation and Developmental Disabilities	Other Governmental Funds	Total Governmental Funds
Revenues						
Property and Other Local Taxes	\$1,193,855	\$0	\$145,581	\$2,320,680	\$1,707,995	\$5,368,111
Special Assessment	0	0	0	0	19,781	19,781
Permissive Sales Taxes	4,747,108	0	0	0	476,581	5,223,689
Charges for Services	1,544,150	0	0	59,049	1,179,209	2,782,408
Licenses and Permits	27,938	0	0	0	64,111	92,049
Fines and Forfeitures	132,323	0	263,739	0	32,544	428,606
Intergovernmental	1,195,350	6,925,103	5,495,009	2,333,811	4,554,028	20,503,301
Interest	375,545	0	4,831	0	82,773	463,149
Rent	141,077	0	0	0	150,185	291,262
Other	48,463	0	107	163,687	155,598	367,855
<i>Total Revenues</i>	<u>9,405,809</u>	<u>6,925,103</u>	<u>5,909,267</u>	<u>4,877,227</u>	<u>8,422,805</u>	<u>35,540,211</u>
Expenditures						
Current:						
General Government:						
Legislative and Executive	5,369,477	0	0	0	2,773,197	8,142,674
Judicial	2,031,547	0	0	0	549,128	2,580,675
Public Safety	2,648,185	0	0	0	565,227	3,213,412
Public Works	276,892	0	5,564,006	0	961,763	6,802,661
Health	48,547	0	0	3,949,963	1,424,232	5,422,742
Human Services	291,380	7,358,164	0	0	4,254,452	11,903,996
Economic Development and Assistance	125,618	0	0	0	655,202	780,820
Other	316,608	0	0	0	0	316,608
Capital Outlay	186,659	0	126,858	106,679	91,680	511,876
Intergovernmental	0	0	282,219	0	0	282,219
Debt Service:						
Principal Retirement	46,530	0	0	3,972	4,220,152	4,270,654
Interest and Fiscal Charges	9,872	0	0	1,106	345,988	356,966
Issuance Costs	0	0	0	0	267,394	267,394
<i>Total Expenditures</i>	<u>11,351,315</u>	<u>7,358,164</u>	<u>5,973,083</u>	<u>4,061,720</u>	<u>16,108,415</u>	<u>44,852,697</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,945,506)</u>	<u>(433,061)</u>	<u>(63,816)</u>	<u>815,507</u>	<u>(7,685,610)</u>	<u>(9,312,486)</u>
Other Financing Sources (Uses):						
Proceeds of Notes	0	0	0	0	2,000,000	2,000,000
Proceeds of General Obligation Bonds	0	0	0	0	6,125,000	6,125,000
Proceeds of Refunding Bonds	0	0	0	0	4,960,000	4,960,000
Premium on Bonds Issued	0	0	0	0	54,817	54,817
Inception of Capital Lease	128,591	0	0	0	0	128,591
Payment to Refunded Bond						
Escrow Agent	0	0	0	0	(4,919,262)	(4,919,262)
Transfers In	0	171,655	23,001	0	1,256,772	1,451,428
Transfers Out	(886,995)	0	(42,266)	(400,000)	(200,830)	(1,530,091)
<i>Total Other Financing Sources (Uses)</i>	<u>(758,404)</u>	<u>171,655</u>	<u>(19,265)</u>	<u>(400,000)</u>	<u>9,276,497</u>	<u>8,270,483</u>
<i>Net Change in Fund Balances</i>	(2,703,910)	(261,406)	(83,081)	415,507	1,590,887	(1,042,003)
Fund Balances (Deficit) Beginning of Year - Restated (See Note 3)	<u>4,748,469</u>	<u>(198,445)</u>	<u>1,020,551</u>	<u>4,976,972</u>	<u>5,075,813</u>	<u>15,623,360</u>
<i>Fund Balances End of Year</i>	<u>\$2,044,559</u>	<u>(\$459,851)</u>	<u>\$937,470</u>	<u>\$5,392,479</u>	<u>\$6,666,700</u>	<u>\$14,581,357</u>

See accompanying notes to the basic financial statements

Guernsey County, Ohio
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2003

Net Change in Fund Balances - Governmental Funds (\$1,042,003)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:

Capital Asset Additions	5,723,475	
Current Year Depreciation	<u>(6,697,772)</u>	
Total		(974,297)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (73,945)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund:

Taxes	58,891	
Special Assessments	(19,781)	
Intergovernmental	1,332,154	
Interest	<u>(39,422)</u>	
Total		1,331,842

The deferred amount on refunding is an expenditure in the governmental funds but is allocated over the remaining life of the new refunding bonds in the Statement of Activities. 229,262

Repayments of long-term liabilities are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the Statement of Net Assets:

General Obligation Bonds	5,282,280	
Long-Term Notes Payable	3,545,000	
Special Assessment Bonds Payable	48,284	
OPWC Notes Payable	32,802	
Capital Leases	<u>93,103</u>	
Total		9,001,469

Debt proceeds and premiums are other financing sources in the governmental funds, but the issuance increases the long-term liabilities on the statement of activities. (13,139,817)

Some capital assets were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets the lease obligation is reported as a liability (128,591)

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. The amortization of premiums and issuance costs are also reported on the statement of activities.

Accrued Interest	19,735	
Amortization of Premium	2,092	
Amortization of Deferred Amount on Refunding	(25,474)	
Amortization of Issuance Costs	<u>(10,269)</u>	
		(13,916)

Issuance costs are reported as an expenditure when paid in the governmental funds, but are deferred on the statement of activities. 267,394

Compensated Absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds. (99,991)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net expense of the internal service fund is allocated amount governmental activities. (664,610)

Change in Net Assets of Governmental Activities (\$5,307,203)

See accompanying notes to the basic financial statements

Guernsey County, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2003

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property and Other Local Taxes	\$6,150,412	\$1,138,587	\$1,159,721	\$21,134
Permissive Sales Taxes	0	4,899,155	4,754,582	(144,573)
Charges for Services	1,589,843	1,682,614	1,667,783	(14,831)
Licenses and Permits	38,100	38,100	27,938	(10,162)
Fines and Forfeitures	130,000	130,000	130,739	739
Intergovernmental	975,483	1,194,012	1,331,278	137,266
Interest	675,000	550,280	555,105	4,825
Rent	140,440	140,440	141,077	637
Other	38,480	40,346	49,457	9,111
<i>Total Revenues</i>	9,737,758	9,813,534	9,817,680	4,146
Expenditures				
Current:				
General Government:				
Legislative and Executive	2,517,724	5,940,739	5,157,755	782,984
Judicial	2,171,350	2,243,557	2,145,072	98,485
Public Safety	2,811,873	2,738,216	2,675,427	62,789
Public Works	2,446,436	168,990	144,918	24,072
Health	53,353	53,000	48,547	4,453
Human Services	238,334	338,912	315,050	23,862
Economic Development and Assistance	0	170,618	125,618	45,000
Other	1,153,220	326,377	316,608	9,769
Capital Outlay	275,940	180,586	58,108	122,478
Debt Service:				
Principal Retirement	0	47,830	47,830	0
Interest and Fiscal Charges	0	10,144	10,144	0
<i>Total Expenditures</i>	11,668,230	12,218,969	11,045,077	1,173,892
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,930,472)	(2,405,435)	(1,227,397)	1,178,038
Other Financing Sources (Uses)				
Operating Transfers In	0	29,258	0	(29,258)
Proceeds of Notes	0	40,036	0	(40,036)
Operating Transfers - Out	(1,187,194)	(1,013,441)	(886,995)	126,446
<i>Total Other Financing Sources (Uses)</i>	(1,187,194)	(944,147)	(886,995)	57,152
<i>Net Change in Fund Balance</i>	(3,117,666)	(3,349,582)	(2,114,392)	1,235,190
Fund Balance at Beginning of Year	3,336,790	3,336,790	3,336,790	0
Prior Year Encumbrances Appropriated	103,396	103,396	103,396	0
<i>Fund Balance at End of Year</i>	\$322,520	\$90,604	\$1,325,794	\$1,235,190

See accompanying notes to the basic financial statements

Guernsey County, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Public Assistance Fund
For the Year Ended December 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$7,088,000	\$7,864,000	\$8,060,680	\$196,680
<i>Total Revenues</i>	<u>7,088,000</u>	<u>7,864,000</u>	<u>8,060,680</u>	<u>196,680</u>
Expenditures				
Current:				
Human Services	7,811,712	8,372,713	8,072,035	300,678
Capital Outlay	61,000	0	0	0
<i>Total Expenditures</i>	<u>7,872,712</u>	<u>8,372,713</u>	<u>8,072,035</u>	<u>300,678</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(784,712)	(508,713)	(11,355)	497,358
Other Financing Sources				
Operating Transfers In	0	0	171,655	171,655
<i>Net Change in Fund Balance</i>	(784,712)	(508,713)	160,300	669,013
Fund Balance at Beginning of Year	<u>784,712</u>	<u>784,712</u>	<u>784,712</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$0</u>	<u>\$275,999</u>	<u>\$945,012</u>	<u>\$669,013</u>

See accompanying notes to the basic financial statements

Guernsey County, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Motor Vehicle and Gasoline Tax Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property and Other Local Taxes	\$180,000	\$180,000	\$145,581	(\$34,419)
Fines and Forfeitures	250,000	250,000	288,814	38,814
Intergovernmental	2,865,000	2,865,000	5,448,734	2,583,734
Interest	2,000	2,000	5,410	3,410
<i>Total Revenues</i>	<u>3,297,000</u>	<u>3,297,000</u>	<u>5,888,539</u>	<u>2,591,539</u>
Expenditures				
Current:				
Public Works	3,974,053	3,881,787	5,584,576	(1,702,789)
Capital Outlay	145,000	195,000	126,858	68,142
Intergovernmental	0	0	282,219	(282,219)
<i>Total Expenditures</i>	<u>4,119,053</u>	<u>4,076,787</u>	<u>5,993,653</u>	<u>(1,916,866)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(822,053)</u>	<u>(779,787)</u>	<u>(105,114)</u>	<u>674,673</u>
Other Financing Sources (Uses)				
Operating Transfers In	0	200,000	23,001	(176,999)
Operating Transfers Out	0	(42,266)	(42,266)	0
Total Other Financing Sources Uses	<u>0</u>	<u>157,734</u>	<u>(19,265)</u>	<u>(176,999)</u>
<i>Net Change in Fund Balance</i>	(822,053)	(622,053)	(124,379)	497,674
Fund Balance at Beginning of Year	<u>622,053</u>	<u>622,053</u>	<u>622,053</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>(\$200,000)</u>	<u>\$0</u>	<u>\$497,674</u>	<u>\$497,674</u>

See accompanying notes to the basic financial statements

Guernsey County, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Mental Retardation and Developmental Disabilities Fund
For the Year Ended December 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property and Other Local Taxes	\$2,305,121	\$2,305,121	\$2,241,908	(\$63,213)
Charges for Services	231,900	61,440	66,163	4,723
Intergovernmental	1,458,360	1,571,745	2,289,969	718,224
Other	31,500	22,185	163,687	141,502
<i>Total Revenues</i>	<u>4,026,881</u>	<u>3,960,491</u>	<u>4,761,727</u>	<u>801,236</u>
Expenditures				
Current:				
Health	4,191,187	4,307,489	3,783,775	523,714
Capital Outlay	85,000	160,000	106,679	53,321
Debt Service:				
Principal Retirement	0	3,972	3,972	0
Interest and Fiscal Charges	0	1,106	1,106	0
<i>Total Expenditures</i>	<u>4,276,187</u>	<u>4,472,567</u>	<u>3,895,532</u>	<u>577,035</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(249,306)	(512,076)	866,195	1,378,271
Other Financing Uses				
Operating Transfers Out	0	(1,017,181)	(400,000)	617,181
<i>Net Change in Fund Balance</i>	(249,306)	(1,529,257)	466,195	1,995,452
Fund Balance at Beginning of Year	<u>4,704,037</u>	<u>4,704,037</u>	<u>4,704,037</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$4,454,731</u></u>	<u><u>\$3,174,780</u></u>	<u><u>\$5,170,232</u></u>	<u><u>\$1,995,452</u></u>

See accompanying notes to the basic financial statements

Guernsey County, Ohio
Statement of Fund Net Assets
Proprietary Funds
December 31, 2003

	<u>Business - Type Activities - Enterprise Funds</u>			Governmental Activities- Internal Service Fund
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	
Assets				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$193,593	\$593,878	\$787,471	\$167,742
Receivables:				
Accounts	13,601	154,879	168,480	0
Interfund	0	537	537	0
Materials and Supplies Inventory	0	4,650	4,650	0
Prepaid Items	0	1,419	1,419	0
<i>Total Current Assets</i>	<u>207,194</u>	<u>755,363</u>	<u>962,557</u>	<u>167,742</u>
Noncurrent Assets:				
Non Depreciable Capital Assets	395,469	23,228	418,697	0
Depreciable Capital Assets, Net	410,907	3,557,506	3,968,413	0
<i>Total Noncurrent Assets</i>	<u>806,376</u>	<u>3,580,734</u>	<u>4,387,110</u>	<u>0</u>
<i>Total Assets</i>	<u>1,013,570</u>	<u>4,336,097</u>	<u>5,349,667</u>	<u>167,742</u>
Liabilities				
Current Liabilities:				
Accounts Payable	0	31,340	31,340	0
Accrued Wages and Benefits Payable	1,968	11,562	13,530	0
Compensated Absences Payable	3,247	21,934	25,181	0
Intergovernmental Payable	20,157	6,576	26,733	0
Claims Payable	0	0	0	304,400
Accrued Interest Payable	0	17,254	17,254	0
Current Portion of General Obligation Bonds Payable	0	20,611	20,611	0
Current Portion of OWDA Loans Payable	0	96,159	96,159	0
<i>Total Current Liabilities</i>	<u>25,372</u>	<u>205,436</u>	<u>230,808</u>	<u>304,400</u>
Long-Term Liabilities (Net of Current Portion):				
Compensated Absences Payable	3,969	26,808	30,777	0
OWDA Loans Payable	389,195	534,339	923,534	0
General Obligation Bonds Payable	0	502,281	502,281	0
<i>Total Long-Term Liabilities</i>	<u>393,164</u>	<u>1,063,428</u>	<u>1,456,592</u>	<u>0</u>
<i>Total Liabilities</i>	<u>418,536</u>	<u>1,268,864</u>	<u>1,687,400</u>	<u>304,400</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	417,181	2,427,344	2,844,525	0
Unrestricted	177,853	639,889	817,742	(136,658)
<i>Total Net Assets</i>	<u>\$595,034</u>	<u>\$3,067,233</u>	<u>\$3,662,267</u>	<u>(\$136,658)</u>

See accompanying notes to the basic financial statements

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

	<u>Business - Type Activities - Enterprise Funds</u>			Governmental Activities- Internal Service Fund
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	
Operating Revenues				
Charges for Services	\$195,386	\$1,506,432	\$1,701,818	\$2,271,424
Operating Expenses				
Personal Services	51,533	415,575	467,108	0
Contractual Services	105,923	777,824	883,747	245,182
Materials and Supplies	10,473	216,780	227,253	0
Claims	0	0	0	2,695,780
Depreciation	20,851	194,449	215,300	0
Other	1,642	36,517	38,159	0
<i>Total Operating Expenses</i>	<u>190,422</u>	<u>1,641,145</u>	<u>1,831,567</u>	<u>2,940,962</u>
<i>Operating Income (Loss)</i>	<u>4,964</u>	<u>(134,713)</u>	<u>(129,749)</u>	<u>(669,538)</u>
Non-Operating Revenues (Expenses)				
Interest and Fiscal Charges	(19,656)	(74,976)	(94,632)	0
Other Non-Operating Revenues	0	7	7	4,928
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(19,656)</u>	<u>(74,969)</u>	<u>(94,625)</u>	<u>4,928</u>
<i>Loss Before Contributions and Transfers</i>	(14,692)	(209,682)	(224,374)	(664,610)
Capital Contributions	0	56,906	56,906	0
Transfers In	15,100	93,563	108,663	0
Transfers Out	0	(30,000)	(30,000)	0
<i>Change in Net Assets</i>	408	(89,213)	(88,805)	(664,610)
Net Assets Beginning of Year - Restated (See Note 3)	<u>594,626</u>	<u>3,156,446</u>	<u>3,751,072</u>	<u>527,952</u>
<i>Net Assets End of Year</i>	<u>\$595,034</u>	<u>\$3,067,233</u>	<u>\$3,662,267</u>	<u>(\$136,658)</u>

See accompanying notes to the basic financial statements

Guernsey County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2003

	<u>Business - Type Activities - Enterprise Funds</u>			Governmental
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	Activities- Internal Service Fund
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash Received from Customers	\$193,460	\$1,576,252	\$1,769,712	\$0
Cash Received from Transactions with Other Funds	0	0	0	2,271,424
Cash Payments for Employee Services and Benefits	(49,921)	(395,797)	(445,718)	0
Cash Payments for Goods and Services	(104,843)	(971,606)	(1,076,449)	(245,182)
Cash Payments for Claims	0	0	0	(2,716,005)
Other Non-Operating Revenues	0	7	7	0
Other Operating Expenses	(1,642)	(36,517)	(38,159)	4,928
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>37,054</u>	<u>172,339</u>	<u>209,393</u>	<u>(684,835)</u>
Cash Flows from Noncapital Financing Activities				
Transfers In	15,100	93,563	108,663	0
Transfers Out	0	(30,000)	(30,000)	0
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>15,100</u>	<u>63,563</u>	<u>78,663</u>	<u>0</u>
Cash Flows from Capital and Related Financing Activities				
Payments for Capital Acquisitions	(67,891)	(253,459)	(321,350)	0
Proceeds from OWDA Loan	59,692	0	59,692	0
Capital Contributions	0	56,906	56,906	0
Principal Paid on Debt	0	(114,258)	(114,258)	0
Interest and Fiscal Charges Paid on Debt	(19,656)	(81,993)	(101,649)	0
<i>Net Cash Used in Capital and Related Financing Activities</i>	<u>(27,855)</u>	<u>(392,804)</u>	<u>(420,659)</u>	<u>0</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	24,299	(156,902)	(132,603)	(684,835)
Cash and Cash Equivalents Beginning of Year	<u>169,294</u>	<u>750,780</u>	<u>920,074</u>	<u>852,577</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$193,593</u>	<u>\$593,878</u>	<u>\$787,471</u>	<u>\$167,742</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating Income (Loss)/Change in Net Assets	\$4,964	(\$134,713)	(\$129,749)	(\$669,538)
Adjustments:				
Other Non-Operating Revenues	0	7	7	4,928
Depreciation	20,851	194,449	215,300	0
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(1,926)	69,830	67,904	0
Increase in Due from Other Funds	0	(10)	(10)	0
Increase in Prepaid Items	0	(1,419)	(1,419)	0
Decrease in Materials and Supply Inventory	82	73,036	73,118	0
Increase (Decrease) in Accounts Payable/Accrued Expenses	(7,859)	22,783	14,924	0
Increase in Accrued Wages and Benefits Payable	910	2,051	2,961	0
Increase in Compensated Absences Payable	353	2,806	3,159	0
Decrease in Claims Payable	0	0	0	(20,225)
Increase (Decrease) in Intergovernmental Payable	19,679	(56,481)	(36,802)	0
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>\$37,054</u>	<u>\$172,339</u>	<u>\$209,393</u>	<u>(684,835)</u>

See accompanying notes to the basic financial statements

Guernsey County, Ohio
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2003

	Erven Bequest Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$0	\$1,770,303
Cash and Cash Equivalents in Segregated Accounts	0	419,647
Investments in Segregated Accounts	91,642	49,057
Receivables:		
Property Taxes	0	23,585,271
Accounts	0	247,384
Intergovernmental	0	2,425,414
<i>Total Assets</i>	91,642	\$28,497,076
Liabilities		
Intergovernmental Payable	0	\$27,302,613
Deposits Held and Due to Others	0	471,829
Undistributed Monies	0	722,634
<i>Total Liabilities</i>	0	\$28,497,076
Net Assets		
Held in Trust for Others	\$91,642	

See accompanying notes to the basic financial statements

Guernsey County, Ohio
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
December 31, 2003

	Erven Bequest Private Purpose Trust
Additions	
Interest	\$3,570
Deductions	
Human Services	4,100
<i>Change in Net Assets</i>	(530)
Net Assets Beginning of Year	92,172
<i>Net Assets End of Year</i>	\$91,642

See accompanying notes to the basic financial statements

Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

Guernsey County, Ohio (The County), was created in 1810. 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 serves 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 County, including each of these departments.

Reporting Entity:

The County utilizes the standards of Governmental Accounting Standards Board Statement 14 for determining the reporting entity.

The reporting entity is comprised of the primary government, component unit and other organizations that are included to ensure that the financial statements of the County are not misleading.

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the County. For Guernsey County, this includes the Board of Mental Retardation and Developmental Disabilities, Children's Service 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.

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

The component unit columns in the combined financial statements identify the financial data of the County's component units, Guernsey Industries and the Guernsey County Port Authority. The component units are discretely presented in separate columns to emphasize that they are legally separate from the County. The component units note disclosures can be found in Notes 25 and 26 to the Basic Financial Statements.

Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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 found 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 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, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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.

The County is associated with certain organizations which are defined as Jointly Governed Organizations, Related Organizations, or Pools. These organizations are presented in Note 19, Note 20, and Note 21 to the Basic Financial Statements. The 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 (CORSA)
County Commissioners Association of Ohio Workers' Compensation Group Rating Plan

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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

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

B. Fund Accounting

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

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

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

Public Assistance Fund The public assistance fund accounts for various federal and State grants 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) Fund To account 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.

Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Mental Retardation and Developmental Disabilities (MRDD) Fund To account 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.

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

Enterprise Funds 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 is a description of the County's enterprise funds:

Sewer Fund To account 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 To account 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 Internal service funds account 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 Internal Service Fund is used to account for the operation of the County's self insurance program for employee health and dental 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 therefore not available to support the County's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The County's fiduciary funds are classified as a private-purpose trust fund and as agency funds. The private-purpose trust fund accounts for activity related to the Erven Bequest Trust. The agency funds account for assets held by the County as agent for the Board of Health and other districts and entities and for various taxes, assessments, and state shared resources collected on behalf of and distributed to other local governments.

C. Measurement Focus

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

Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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

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

D. Basis of Accounting

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

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: sales tax (see Note 8), federal and state grants and subsidies, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fees and rentals. Using this criteria, the County has elected to not record child support arrearages within the special revenue and agency fund types. This amount, while potentially significant, is not considered measurable, and because collection is often significantly in arrears, the County is unable to determine a reasonable value.

Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2003, but which were levied to finance year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

E. Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the County Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts when the original appropriations were adopted. These appropriations were made before the end of the prior year and before the year end fund balances were known. This resulted in differences being reported for beginning of year fund balances for the original and final budgeted amounts. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during 2003.

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

F. Cash, Cash Equivalents, and Investments

Cash balances of the County's funds, except cash held by a trustee or fiscal agent or held in segregated accounts, are pooled and invested in short-term investments in order to provide improved cash management.

Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

During 2003, investments were limited to STAR Ohio, United States Treasury Notes, federal agency securities, county bonds and certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The County has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during 2003. 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, 2003.

Under existing Ohio statutes, all investment earnings accrue to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during 2003 amounted to \$375,545, which includes \$356,406 assigned from other funds.

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

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the County are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

G. Inventory

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2003, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

I. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The County maintains a capitalization threshold of ten thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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

Description	Governmental Activities Estimated Lives	Business Type Activities Estimated Lives
Buildings and Improvements	50 Years	50 Years
Furniture and Fixtures	3-20 Years	3-20 Years
Machinery and Equipment	3-20 Years	3-20 Years
Infrastructure	10-50 Years	40 Years
Vehicles	5 Years	5 Years

J. Interfund Balances

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

K. Compensated Absences

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

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

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

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

L. Accrued Liabilities and Long-Term Obligations

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

Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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

M. Fund Balance Reserves

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

N. Net Assets

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

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

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are charges for services for wastewater treatment, sale of water, and self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

P. Capital Contributions

Contributions of capital arise from outside contributions of fixed assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Q. Interfund Activity

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

Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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

R. Estimates

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

NOTE 3 - RESTATEMENT OF PRIOR YEAR FUND BALANCE/NET ASSETS

It was determined that in previous years construction in progress was erroneously reported in the statement of net assets as assets of governmental activities which should have been reported in the Sewer enterprise fund in the amount of \$341,175. Also, capital assets in the Water enterprise fund were overstated in the amount of \$8,040 net of accumulated depreciation. In addition, a restatement was made in the Sewer enterprise fund for an OWDA loan payable that had not been reported as of December 31, 2002. Governmental capital assets were restated for the incorrect reported amount of infrastructure in the amount of \$7,359,357 net of accumulated depreciation. It was discovered that accumulated depreciation was calculated incorrectly. There is also a restatement for cash held with fiscal agents in the MRDD major special revenue fund for amounts that were held by MEORC (See Note 6) that were not recorded. The effect on governmental fund balance and governmental and business-type activities net assets is as follows:

	MRDD Major Fund	Governmental Activities
Fund Balance/Net Assets at December 31, 2002	\$4,319,879	\$82,683,522
Capital Assets	0	(341,175)
Infrastructure	0	7,359,357
Cash Held at MEORC	657,093	657,093
Restated Fund Balance/Net Assets at December 31, 2002	\$4,976,972	\$90,358,797

	Sewer	Water	Total Business-Type Activities
Net Assets, December 31, 2002	\$582,954	\$3,164,486	\$3,747,440
Capital Assets	341,175	(8,040)	333,135
OWDA Loan Payble	(329,503)	0	(329,503)
Restated Net Assets, December 31, 2002	\$594,626	\$3,156,446	\$3,751,072

Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the general and major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance.
4. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Unrecorded cash and unrecorded interest are reported on the balance sheet (GAAP basis), but not on the budgetary basis.
6. Cash that is held by the agency funds on behalf of County funds on a budget basis are allocated and reported on the balance sheet (GAAP basis) in the appropriate County fund.
7. Adjustments from cost basis carrying values of investment balances to fair value in accordance with GASB Statement 31 are recorded on the balance sheet (GAAP) basis but not on budgetary basis.

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

Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Net Change in Fund Balances
General and Major Special Revenue Funds

	Public			
	General	Assistance	MVGT	MRDD
GAAP Basis	(\$2,703,910)	(\$261,406)	(\$83,081)	\$415,507
Net Adjustment for Revenue				
Accruals	129,435	1,135,577	(21,200)	684,299
Beginning of Year:				
Agency Fund Cash Allocation	18,477	0	0	42,638
Unrecorded Cash	47,642	0	979	7,898
Non Budgeted Cash	0	0	0	(728,925)
GASB 31 Adjustment	137,716	0	0	0
Prepaid Items	71,070	488	0	79,312
End of Year:				
Agency Fund Cash Allocation	(52,611)	0	0	(121,410)
Unrecorded Cash	(55,311)	0	(507)	0
GASB 31 Adjustment	60,936	0	0	0
Prepaid Items	(71,854)	(489)	0	(79,345)
Debt Service Principal	(1,300)	0	0	0
Interest and Fiscal Charges	(272)	0	0	0
Net Adjustment for				
Expenditure Accruals	368,123	(713,870)	(20,570)	166,221
Encumbrances	(62,533)	0	0	0
Budget Basis	(\$2,114,392)	\$160,300	(\$124,379)	\$466,195

NOTE 5 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

The Public Assistance special revenue fund had a deficit fund balance in the amount of \$459,851 as of December 31, 2003. This deficit fund balance is largely the result of the recognition of liabilities in accordance with generally accepted accounting principles. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Legal Compliance

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

Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

	<u>Excess</u>
Motor Vehicle and Gasoline Tax Special Revenue Fund	
Public Works	
Contractual Services	\$1,702,789
Intergovernmental	
Contractual Services	\$282,219
 Bond Retirement Debt Service Fund	
Principal	\$28,538
 Water Fund Enterprise Fund	
Capital Outlay	\$127,470
 Sewer Fund – Enterprise Fund	
Capital Outlay	\$40,164

NOTE 6 - DEPOSITS AND INVESTMENTS

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

Moneys held by the County which are not considered active are classified as inactive and can be deposited or invested in the following securities:

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;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed 5 percent of the County's total average portfolio; and
10. Bankers acceptances for a period not to exceed two hundred seventy days and in an amount not to exceed 10 percent of the County's total average portfolio.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand At year-end, the County had \$640,366 in undeposited cash on hand which is included on the Balance Sheet of the County as part of "Cash and Cash Equivalents".

Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Deposits At year-end, the carrying amount of the County's deposits was \$4,089,826 and the bank balance was \$5,711,398. Of the bank balance:

1. \$947,062 was covered by federal depository insurance,
2. \$4,764,336 was considered uninsured and uncollateralized even though securities for collateral were held by the pledging financial institutions' trust department in the County's name and all State statutory requirements for the deposit of money had been followed. Non-compliance with federal requirements would potentially subject the County to a successful claim by the FDIC.

At December 31, 2003, the County's MRDD special revenue fund had a cash balance of \$728,925 with MEORC, a jointly governed organization (See Note 19). The money is held by MEORC in a pooled account which is representative of numerous entities and therefore cannot be classified by risk under GASB Statement 3. The classification of cash and cash equivalents and investments for MEORC as a whole may be obtained from their audit report. To obtain financial information, write to the Mid East Ohio Regional Council, Cathy Henthorn, who serves as Associate Director of Business, 160 Columbus Road, Mt. Vernon, Ohio 43050.

Investments GASB Statement No. 3 entitled "Deposits With Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements" requires the County investments to be categorized to give an indication of the level of risk assumed by the County at year end. Category 1 includes investments that are insured or registered 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.

Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Investment	Category 1	Category 3	Fair Value	Rate	Maturity
Government Securities:					
Guernsey County General Obligation Bonds	\$54,298	\$0	\$54,298	6.00%	12/1/2004 - 12/1/2020
STAR Ohio	0	0	1,693,151	N/A	N/A
Federal Farm Credit Bank	0	250,000	250,000	5.625%	6/15/2006
Federal Home Loan Bank Bonds	0	250,000	250,000	2.125%	7/14/2006
Federal Home Loan Bank Bonds	0	500,000	500,000	2.250%	1/9/2007
Federal Home Loan Bank Bonds	0	500,000	500,000	5.125%	5/10/2007
Federal National Mortgage Association - Bonds	0	750,000	750,000	4.320%	7/26/2007
Federal Home Loan Bank Bonds	0	300,000	300,000	4.000%	10/1/2007
Federal Home Loan Bank Bonds	0	250,000	250,000	2.380%	12/24/2007
Federal Home Loan Bank Bonds	0	250,000	250,000	3.875%	4/9/2008
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 Mortgage Corporation - Bonds	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	200,000	200,000	3.250%	8/12/2008
Federal National Mortgage Association - Notes	0	300,000	300,000	4.000%	8/25/2008
Federal Home Loan Bank Bonds	0	250,000	250,000	4.320%	11/20/2008
Federal Home Loan Mortgage Corporation - Notes	0	40,000	40,000	3.000%	12/15/2006
Federal Home Loan Mortgage Corporation - Notes	0	950,000	950,000	3.000%	8/15/2007
Federal Home Loan Mortgage Corporation - Notes	0	424,000	424,000	3.000%	3/15/2008
Federal Home Loan Mortgage Corporation - Bonds	0	384,000	384,000	3.300%	3/26/2008
Federal Home Loan Mortgage Corporation - Notes	0	350,000	350,000	3.500%	4/2/2008
Federal Home Loan Mortgage Corporation - Notes	0	970,000	970,000	3.375%	4/23/2008
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 Bank Bonds	0	100,000	100,000	3.820%	8/11/2008
Federal Home Loan Bank Bonds	0	650,000	650,000	4.000%	8/25/2008
Federal Home Loan Bank Bonds	0	250,000	250,000	4.100%	8/26/2008
Money Market Mutual Funds	0	0	500,158	N/A	N/A
Total	<u>\$54,298</u>	<u>\$10,618,000</u>	<u>\$12,865,607</u>		

Investments in STAROhio and money market mutual funds are not categorized by risk because they are not evidenced by securities that exist in physical or book entry form.

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 Basic Financial Statements
For the Year Ended December 31, 2003

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	\$18,094,961	\$229,763
Undeposited Cash	(640,366)	0
Cash Held with MEORC	(728,925)	0
Investments:		
County Bond	(54,298)	54,298
United States Treasury Notes	0	0
STAR Ohio	(1,693,151)	1,693,151
Certificates of Deposit	229,763	(229,763)
Federal Home Loan Bank Bonds	(5,000,000)	5,000,000
Federal National Mortgage Association Notes	(500,000)	500,000
Federal Home Loan Mortgage Corporation Notes	(3,234,000)	3,234,000
Federal Home Loan Mortgage Corporation Bonds	(884,000)	884,000
Federal National Mortgage Association Bonds	(750,000)	750,000
Federal Farm Credit Bank	(250,000)	250,000
Money Market Mutual Fund	(500,158)	500,158
GASB Statement 3	\$4,089,826	\$12,865,607

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the County. Property tax revenue received during 2003 for real and public utility property taxes represents collections of 2002 taxes. Property tax payments received during 2003 for tangible personal property (other than public utility property) is for 2003 taxes.

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

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

2003 tangible personal property taxes are levied after October 1, 2002, on the value as of December 31, 2002. Collections are made in 2003. Tangible personal property assessments are 25 percent of true value, and 23 percent for inventory.

The full tax rate for all County operations for the year ended December 31, 2003 was 12.70 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2003 property tax receipts were based are as follows:

Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Real Property	\$437,877,030
Tangible Personal Property	90,466,300
Public Utility Personal Property	40,817,930
Total Assessed Property Value	<u>\$569,161,260</u>

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable September 20.

The County treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2003 and for which there is an enforceable legal claim. In the general fund, mental health fund, court corrections/public safety fund, tuberculosis/crippled child levy fund, children services fund, mental retardation and developmental disabilities fund, jail operating fund and debt service fund, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2003 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

NOTE 8 - PERMISSIVE SALES AND USE 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 ninth consecutive year on February 19, 2003. This sales tax came into effect on April 1, 2003, and expires on March 31, 2004.

The revenues generated from the sales tax are used for the purpose of providing additional revenue for the County's General 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. Amounts that have been collected by the State and are to be received within the available period are accrued as revenue. Sales and use tax revenue for 2003 amounted to \$5,223,689.

Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 9 - RECEIVABLES

Receivables at December 31, 2003, consisted of taxes, interest, special assessments, accounts (billings for user charged services, including unbilled utility services), and intergovernmental receivables arising from grants, entitlements and shared revenues. Management believes all receivables are fully collectible. Delinquent accounts receivable may be certified and collected as a special assessment, subject to foreclosure for nonpayment. Special assessments relating to the payment of debt are not expected to be collected within one year. The amount not scheduled for collection during the subsequent year is \$126,708. The County has \$20,949 in delinquent special assessments at December 31, 2003.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	
Indigent Fee Reimbursement	\$59,366
Homestead/Rollback Reimbursement	259,748
Local Government Funding	508,791
Motor Vehicle License and Gas Tax	1,879,420
Excess IRP	72,508
Estate Tax Administration Reimbursement	5,986
Corrections Fund Grants	46,288
MVGT Grants	501,687
Children Services Over/Under Advance	299,135
CSEA Over/Under Advance	10,214
CDBG Fund Grants	613,124
Emergency Management Agency Fund Grants	51,187
MRDD CAFS	127,951
MRDD Fund Grants	364,290
VOCA Grant	21,733
Miscellaneous Reimbursements	31,676
Total	<u><u>\$4,853,104</u></u>

Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 10 - CAPITAL ASSETS

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

	Restated Balance 12/31/2002	Additions	Reductions	Balance 12/31/2003
<u>Governmental Activities:</u>				
Non Depreciable Capital Assets:				
Land	\$766,254	\$6,900	\$0	\$773,154
Land Improvements	20,668,871	0	0	20,668,871
Construction in Progress	254,529	3,806,098	(3,204,403)	856,224
Total Non Depreciable Capital Assets	<u>21,689,654</u>	<u>3,812,998</u>	<u>(3,204,403)</u>	<u>22,298,249</u>
Depreciable Capital Assets:				
Buildings	15,029,665	50,000	0	15,079,665
Improvements Other than Buildings	4,384,006	3,328,345	0	7,712,351
Furniture and Fixtures	164,415	0	0	164,415
Machinery and Equipment	2,583,579	301,533	(130,713)	2,754,399
Vehicles	2,759,251	180,195	(62,656)	2,876,790
Underground Pipelines	1,141,691	0	0	1,141,691
Infrastructure	82,057,249	1,254,807	(11,135)	83,300,921
Total Depreciable Capital Assets	<u>108,119,856</u>	<u>5,114,880</u>	<u>(204,504)</u>	<u>113,030,232</u>
Accumulated Depreciation:				
Buildings and Improvements	(3,815,540)	(295,234)	0	(4,110,774)
Improvements Other than Buildings	(1,437,584)	(114,150)	0	(1,551,734)
Furniture and Fixtures	(117,096)	(5,940)	0	(123,036)
Machinery and Equipment	(1,503,884)	(221,858)	59,440	(1,666,302)
Vehicles	(1,999,425)	(286,321)	62,656	(2,223,090)
Underground Pipelines	(238,088)	(28,542)	0	(266,630)
Infrastructure	(41,228,645)	(5,745,727)	8,463	(46,965,909)
Total Accumulated Depreciation	<u>(50,340,262)</u>	<u>(6,697,772) *</u>	<u>130,559</u>	<u>(56,907,475)</u>
Total Depreciable Capital Assets, Net	<u>57,779,594</u>	<u>(1,582,892)</u>	<u>(73,945)</u>	<u>56,122,757</u>
Governmental Capital Assets, Net	<u>\$79,469,248</u>	<u>\$2,230,106</u>	<u>(\$3,278,348)</u>	<u>\$78,421,006</u>

Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

*Depreciation expense was charged to governmental activities as follows:

Governmental Activities:

General Government:

Legislative and Executive	\$377,491
Judicial	19,785
Public Safety	111,850
Public Works	5,988,435
Health	128,773
Human Services	71,438
Total Depreciation Expense	<u><u>\$6,697,772</u></u>

	Restated Balance 12/31/2002	Additions	Reductions	Balance 12/31/2003
<u>Business-Type Activities</u>				
Non Depreciable Capital Assets:				
Land	\$20,176	\$0	\$0	\$20,176
Construction in Progress	342,437	56,084	0	398,521
Total Non Depreciable Capital Assets	<u>362,613</u>	<u>56,084</u>	<u>0</u>	<u>418,697</u>
Depreciable Capital Assets:				
Buildings	731,385	0	0	731,385
Improvements Other than Buildings	683,466	0	0	683,466
Machinery and Equipment	112,704	36,414	0	149,118
Vehicles	304,167	39,864	0	344,031
Underground Pipelines	4,934,091	188,988	0	5,123,079
Total Depreciable Capital Assets	<u>6,765,813</u>	<u>265,266</u>	<u>0</u>	<u>7,031,079</u>
Accumulated Depreciation:				
Buildings and Improvements	(267,813)	(16,425)	0	(284,238)
Improvements Other than Buildings	(437,506)	(17,391)	0	(454,897)
Machinery and Equipment	(63,315)	(10,011)	0	(73,326)
Vehicles	(170,454)	(46,806)	0	(217,260)
Underground Pipelines	(1,908,278)	(124,667)	0	(2,032,945)
Total Accumulated Depreciation	<u>(2,847,366)</u>	<u>(215,300)</u>	<u>0</u>	<u>(3,062,666)</u>
Total Depreciable Capital Assets, Net	<u>3,918,447</u>	<u>49,966</u>	<u>0</u>	<u>3,968,413</u>
Business-Type Capital Assets, Net	<u><u>\$4,281,060</u></u>	<u><u>\$106,050</u></u>	<u><u>\$0</u></u>	<u><u>\$4,387,110</u></u>

Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 11 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; employee injuries, and natural disasters. By contracting with the County Risk Sharing Authority (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.

The claims liability of \$304,400 reported in the Health Insurance Internal Service Fund at December 31, 2003, is based on the requirements of Governmental Accounting Standards Board Statement Number 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The claims liability is based on an estimate calculated by Medical Benefits Administrators, Inc. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustments expenses. A summary of the fund's claims liability during the past two years is as follows:

2002	\$332,400	\$1,780,809	\$1,788,584	\$324,625
2003	\$324,625	\$2,695,780	\$2,716,005	\$304,400

Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System (OPERS):

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

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

For the year ended December 31, 2003, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The County's contribution rate for pension benefits for 2003 was 8.55 percent, except for those in law enforcement or public safety. For those classifications, the County's pension contributions were 11.75 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2003, 2002, and 2001 were \$1,427,213, \$1,406,402, and \$1,291,892, respectively; approximately 97.37 percent has been contributed for 2003 and 100 percent has been contributed for 2002 and 2001. Contributions to the member-directed plan for 2003 were \$9,151 made by the County and \$5,740 made by the plan members.

B. State Teachers Retirement System (STRS):

Certified teachers employed by the school for the Board of Mental Retardation and Developmental Disabilities, participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2003, plan members are required to contribute 9.3 percent of their annual covered salary to fund pension obligations and the County is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. 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. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the BD Plan for the years ended December 31, 2003, 2002, and 2001 were \$19,959, \$25,874, and \$31,518, respectively; approximately 92.57 percent has been contributed for 2003 and 100 percent has been contributed for 2002 and 2001. No contributions were made to the DC and Combined Plans for the fiscal year ended 2003 by the County and plan members.

NOTE 13 - POST-EMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System (OPERS):

The Ohio Public Employees Retirement System of Ohio (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. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2003 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 5.0 percent of covered payroll was the portion that was used to fund health care.

Guernsey County, Ohio
Notes to the Basic Financial Statements
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Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2002, include a rate return on investments of 8.0 percent, an annual increase in active employee total payroll of 4.0 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.0 percent annually. All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contribution participants in the traditional and combined plans was 364,881. Actual employer contributions for 2003 which were used to fund postemployment benefits were \$789,844. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2002, (the latest information available) were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan used a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

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

B. State Teachers Retirement System (STRS):

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS). Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the County, this amount equaled \$10,505 for 2003.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2003, (the latest information available) the balance in the Fund was \$2.8 billion. For the fiscal year ended June 30, 2003, net health care costs paid by STRS were \$352,301,000 and STRS had 108,294 eligible benefit recipients.

Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 14 - OTHER EMPLOYEE BENEFITS

A. Deferred Compensation Plans

County employees and elected officials may participate in either of two state wide deferred compensation plans created in accordance with Internal Revenue Code Section 457; one offered by the State of Ohio and one by the County Commissioners Association of Ohio (CCAO). Assets of the plans are held in trust for the exclusive benefit of the participants and beneficiaries. The County has no fiduciary accountability for these plans. Participation is on a voluntary payroll deduction basis. Each plan permits deferral of compensation until future years. According to the plans, the deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergencies.

B. Compensated Absences

County employees earn vacation and sick leave at varying rates depending on length of service and department policy. All accumulated, unused vacation time is paid upon separation if the employee has acquired at least one year of service with the County. Accumulated, unused sick leave and compensatory time is paid upon retirement at varying rates depending on length of service and department policy.

C. Medical, Vision, Dental and Life Benefits

On October 1, 2002, the County contracted with Central Benefits to provide employees with medical and dental insurance through a self-insured program. The County maintains a self-insurance internal service fund to account for and finance its uninsured risks of loss in these programs. The third party administrator, Central Benefits, reviews and pays the claims. The County and employees share the cost of these premiums for the health insurance. The County pays 100 percent of the dental insurance for engineer employees and the remaining County employees share the cost of their coverage.

On October 1, 2002 the County contracted with Vision Service Plan to provide employees with vision insurance. The County and employees share in the cost of this coverage.

Also, on October 1, 2002, the County Commissioners contracted to provide life insurance for two years with Central Benefits which is also accounted for in the County's self-insurance internal service fund. All County employees are eligible to receive life insurance coverage up to a maximum of \$20,000 with the exception of the sheriff's department who are eligible for up to a maximum of \$50,000.

Employees of the Children's Services department do not participate in the County's self-insurance program. They are provided with life and health insurance through United Health Care of Ohio. The monthly premiums for these coverages are based on sex, age, marital status, and number of dependents. Both the County and the employees share the cost of the premiums.

Employees of the Board of Mental Retardation and Developmental Disabilities do not participate in the County's self-insurance program. They are provided with life, health, dental and vision insurance through Anthem Blue Cross/Blue Shield. The Board and employees share in the cost of these plans.

Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the County has entered into capitalized leases for copying and office equipment. During 2003, the County entered into 2 additional capital lease agreements. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the basic financial statements for the governmental funds.

Equipment acquired by lease has been capitalized in government wide statements governmental activities in the amount of \$284,305, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the statement of net assets. Governmental activities capitalized leased assets are reflected net of \$101,357 in accumulated depreciation, resulting in a carrying book value of \$182,948. Principal payments towards capital leases during 2003 totaled \$52,288. In addition, a reduction in principal outstanding prior to the end of the lease agreement for assets returned was \$40,815.

Future minimum lease payments through 2008 are as follows:

Year	Governmental Activities		
	Principal	Interest	Total
2004	\$60,340	\$12,986	\$73,326
2005	50,710	8,393	59,103
2006	30,355	5,364	35,719
2007	22,863	3,061	25,924
2008	18,680	772	19,452
Total	\$182,948	\$30,576	\$213,524

NOTE 16 - CONSTRUCTION COMMITMENTS

As of December 31, 2003, the County had the following contractual purchase commitments:

Project	Fund	Purchase Commitment	Amounts	Amounts
			Paid as of 12/31/2003	Remaining on Contracts
Buffalo/Derwent Sewer Project	Sewer	\$507,100	\$394,038	\$113,062
Phase I NE Waterline	Water	1,189,923	798,223	391,700
1998 - 2003 Valuations	Real Estate Assessment	537,800	195,300	342,500
Total		\$2,234,823	\$1,387,561	\$847,262

Guernsey County, Ohio
Notes to the Basic Financial Statements
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NOTE 17 - LONG-TERM LIABILITIES

Changes in the County's long-term liabilities during 2003 consist of the following:

	Restated Outstanding 12/31/2002	Additions	Reductions	Outstanding 12/31/2003	Amounts Due Within One Year
<u>Governmental Activities:</u>					
<i>Special Assessment Bonds:</i>					
Rolling Hills Paving - 1988, \$202,900, 6.375%	\$88,600	\$0	\$12,600	\$76,000	\$13,400
Rolling Hills Paving II - 1988, \$76,100, 6.375%	27,992	0	4,700	23,292	5,000
Northgate Sewer - 1988, \$178,900, 7.25%	45,000	0	9,000	36,000	9,000
Stop Nine Sanitary Sewer - 1993, \$559,200, 5%	54,000	0	700	53,300	800
Sundew and Zane Waterline - 1996, \$84,000, 4.95%	71,004	0	3,418	67,586	3,587
Cedar Hills Sewer - 1996, \$171,785, 4.95%	133,540	0	7,572	125,968	7,946
Eastmoor Sanitary Sewer - 1998, \$186,000, 4.5%	161,100	0	7,100	154,000	7,300
Wolf's Den Road Waterline - 2000, \$63,880, 6%	57,492	0	3,194	54,298	3,194
<i>Total Special Assessment Bonds</i>	<u>638,728</u>	<u>0</u>	<u>48,284</u>	<u>590,444</u>	<u>50,227</u>
<i>General Obligation Bonds:</i>					
Rolling Hills Paving II - 1998, \$5,108, 6.375%	5,108	0	0	5,108	0
Public Improvement - 1992, \$7,965,000					
Various Interest Rate	4,690,000	0	4,690,000	0	0
Various Purpose Refunding and Improvement Serial Bonds - 2003 2.00%-5.00% - \$7,260,000	0	7,260,000	590,000	6,670,000	565,000
Various Purpose Refunding and Improvement Term Bonds - 2003 2.00%-5.00% - \$3,825,000	0	3,825,000	0	3,825,000	0
Bond Premium	0	54,817	2,092	52,725	0
Deferred Amount on Refunding	0	(229,262)	(25,474)	(203,788)	0
Public Improvement - 1996, \$124,959, 4.95%	104,934	0	2,280	102,654	1,156
<i>Total General Obligation Bonds</i>	<u>4,800,042</u>	<u>10,910,555</u>	<u>5,258,898</u>	<u>10,451,699</u>	<u>566,156</u>
<i>Long Term Notes Payable</i>					
Various Purpose Note, Series 2002, \$1,545,000, 2.08%	1,545,000	0	1,545,000	0	0
Various Purpose Note, Series 2002, \$455,000, 2.08%	455,000	0	455,000	0	0
Various Purpose Note, Series 2003, \$1,545,000, 1.75%	0	1,545,000	1,545,000	0	0
Various Purpose Note, Series 2003, \$455,000, 1.76%	0	455,000	0	455,000	455,000
<i>Total Long Term Notes Payable</i>	<u>2,000,000</u>	<u>2,000,000</u>	<u>3,545,000</u>	<u>455,000</u>	<u>455,000</u>
<i>OPWC Notes:</i>					
OPWC Promissory Note - 1995, \$25,817, 0%	5,163	0	2,582	2,581	2,581
OPWC Promissory Note - 1999, \$30,670, 0%	18,402	0	3,067	15,335	3,067
OPWC Promissory Note - 1993, \$70,870, 0%	20,249	0	10,124	10,125	10,125
OPWC Promissory Note - 2000, \$60,200, 0%	42,140	0	6,020	36,120	6,020
OPWC Promissory Note - 2001, \$55,043, 0%	33,024	0	11,009	22,015	11,009
<i>Total OPWC Notes</i>	<u>118,978</u>	<u>0</u>	<u>32,802</u>	<u>86,176</u>	<u>32,802</u>
Capital Leases	147,460	128,591	93,103	182,948	60,340
Compensated Absences	1,285,906	908,028	808,037	1,385,897	623,654
Total Governmental Activities	<u>\$8,991,114</u>	<u>\$13,947,174</u>	<u>\$9,786,124</u>	<u>\$13,152,164</u>	<u>\$1,788,179</u>

(continued)

Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

(continued)

	Restated			Outstanding 12/31/2003	Amounts Due Within One Year
	Outstanding 12/31/2002	Additions	Reductions		
<u>Business Type Activities:</u>					
<u>General Obligation Bonds</u>					
Kimbolten Waterline - 1992, \$142,000, 5.75%	\$113,500	\$0	\$7,200	\$106,300	\$1,800
North Salem Waterline - 1994, \$450,000, 5%	384,000	0	6,200	377,800	6,500
County Water Building, - 1996, \$110,000, 4.95%	50,523	0	11,731	38,792	12,311
<i>Total General Obligation Bonds</i>	<u>548,023</u>	<u>0</u>	<u>25,131</u>	<u>522,892</u>	<u>20,611</u>
Water Fund OWDA - 1989,\$1,444,319, 7.89%	719,625	0	89,127	630,498	96,159
Sewer Fund OWDA - 2002,\$389,195, 5.65%	329,503	59,692	0	389,195	0
Total OWDA Loans	<u>1,049,128</u>	<u>59,692</u>	<u>89,127</u>	<u>1,019,693</u>	<u>96,159</u>
Compensated Absences	52,799	24,207	21,048	55,958	25,181
Total Business Type Activities	<u><u>\$1,649,950</u></u>	<u><u>\$83,899</u></u>	<u><u>\$135,306</u></u>	<u><u>\$1,598,543</u></u>	<u><u>\$141,951</u></u>

Governmental Activities:

Special Assessment Bonds – As of December 31, 2003, the County has \$590,444 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, 2003 are as follows:

Year Ending December 31	Principal	Interest	Total
2004	\$50,227	\$31,364	\$81,591
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
2009-2013	153,131	65,135	218,266
2014-2018	135,099	26,534	161,633
2019-2023	15,587	8,599	24,186
2024-2028	11,800	5,570	17,370
2029-2033	15,000	2,330	17,330
Totals	<u><u>\$590,444</u></u>	<u><u>\$234,129</u></u>	<u><u>\$824,573</u></u>

General Obligation Bonds – As of December 31, 2003, the County has \$10,451,699 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.

Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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 and the liability is removed from the statement of net assets.

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, reported in the accompanying financial statements as a decrease to bonds payable, is being amortized to interest expense through the year 2011 using the straight-line method. The amount amortized for 2003 is \$25,474. 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.

Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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, 2003 are as follows:

Year Ending December 31	Principal	Interest
2004	\$566,156	\$402,703
2005	589,975	391,345
2006	593,737	379,252
2007	611,668	367,119
2008	641,115	352,874
2009-2013	2,318,940	1,484,804
2014-2018	1,851,171	1,087,451
2019-2023	2,295,000	610,875
2024-2028	1,135,000	157,725
Totals	\$10,602,762	\$5,234,148

Long-Term Notes Payable – As of December 31, 2003, the County has \$455,000 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. 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 notes mature on February 17, 2004 along with interest payable at 1.76% of the principal amount.

OPWC Notes – As of December 31, 2003, the County has \$86,176 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 Motor Vehicle and Gasoline Tax Special Revenue Fund. These notes are interest free.

Principal requirements to retire the OPWC notes outstanding at December 31, 2003 are as follows:

Year Ending December 31	Principal
2004	\$32,802
2005	20,093
2006	9,087
2007	9,087
2008	9,087
2009	6,020
Totals	\$86,176

Capital Leases – The County has issued capital leases for copying and office equipment. These leases will be repaid through the General Fund, Mental Retardation and Developmental Disabilities and Miscellaneous Local Funds Special Revenue Funds.

Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Compensated Absences – The County will pay compensated absences from the General Fund, and the Miscellaneous Local, Emergency Management, County Home, Motor Vehicle and Gasoline Tax, Public Assistance, Child Support Enforcement Agency, Mental Retardation and Developmental Disabilities and Childrens Services Special Revenue Funds.

Business - Type Activities:

General Obligation Bonds – As of December 31, 2003, the County has \$522,892 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 and interest requirements to retire the general obligation bonds outstanding at December 31, 2003 are as follows:

Year Ending December 31	Principal	Interest
2004	\$20,611	\$26,922
2005	21,721	25,885
2006	22,760	24,791
2007	9,700	23,645
2008	10,300	23,144
2009-2013	59,500	107,218
2014-2018	76,700	90,145
2019-2023	98,500	68,144
2024-2028	126,800	39,862
2029-2032	76,300	7,262
Totals	\$522,892	\$437,018

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, 2003 are as follows:

Year Ending December 31	Principal	Interest
2004	\$96,159	\$44,135
2005	103,745	37,404
2006	111,931	30,142
2007	120,763	22,306
2008	130,290	13,853
2009	67,610	4,340
Totals	\$630,498	\$152,180

Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Debt Margins:

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed one percent of the total assessed valuation of the County. The Code further provides that the total voted and unvoted net debt of the County less the same exempt debt shall never exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000.

The effects of the debt limitations described above at December 31, 2003 are a margin on unvoted debt of \$10,301,531, and an overall debt margin of \$12,729,032.

NOTE 18 - INTERNAL BALANCES

Interfund balances at December 31, 2003 consist of the following individual interfund receivables and payables:

Interfund Payable	Interfund Receivable					Total
	Major Funds			Other Non-Major Governmental	Water Enterprise	
	General	Public Assistance	MRDD			
Major Funds:						
Public Assistance	\$59,108	\$0	\$36,196	\$1,595	\$0	\$96,899
Other Nonmajor Governmental	14,538	76,192	0	3,825	537	95,092
Total All Funds	\$73,646	\$76,192	\$36,196	\$5,420	\$537	\$191,991

The interfund receivables/payables are due to lags between the dates interfund goods and services are provided, transactions recorded in the accounting system, and payments between funds were made.

Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Interfund transfers for the year ended December 31, 2003 consisted of the following:

	Major Funds		Other Nonmajor Governmental	Sewer Enterprise	Water Enterprise	Totals
	MVGT	Public Assistance				
Transfer from						
Major Funds:						
General Fund	\$23,001	\$171,655	\$583,676	\$15,100	\$93,563	\$886,995
MVGT	0	0	42,266			42,266
MRDD	0	0	400,000			400,000
Other Nonmajor						
Governmental	0	0	200,830			200,830
Water Enterprise	0	0	30,000			30,000
Total All Funds	\$23,001	\$171,655	\$1,256,772	\$15,100	\$93,563	\$1,560,091

There was a transfer in the amount of \$400,000 to move grant money from the MRDD fund to the County Facilities Construction and Improvement Fund to use for expenses related to constructions costs . The remaining transfers were used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; to move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS

A. 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 2003. 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.

Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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 2003, the County made a contribution to the Guernsey-Monroe-Noble Community Action Corporation of \$50,000 towards a property purchase for construction of Headstart facility.

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.

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 2003, 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 2003, 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.

Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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 2003, 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. Each member's control over the operation of SENT is limited to its representation of the Board. During 2003, Guernsey County voluntarily contributed \$6,715 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 2003, Guernsey County voluntarily contributed \$9,675 to MEORC.

Guernsey County, Ohio
Notes to the Basic Financial Statements
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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 2003, the County made a contribution of \$3,805 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 2003, the County made a contribution of \$10,886 to the Cambridge Guernsey County Visitors and Convention Bureau.

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 2003, the County made no contributions to the Area Office on Aging.

Guernsey County, Ohio
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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 2003, 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 (SEAT) 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 2003, Guernsey County contributed \$27,812. 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.

NOTE 20 - 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 2003, the County made no contributions to the Guernsey County Convention Facilities Authority.

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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 2003, the County made no contributions to the Cambridge Metropolitan Housing Authority.

C. Guernsey County Park District

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 2003, the County made a contribution of \$10,200 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 2003, the County made a contribution of \$53,035 to the Airport Authority.

NOTE 21 - POOLS

A. County Risk Sharing Authority (CORSA):

The County Risk Sharing Authority, Inc. (CORSA) is a public entity risk pool among sixty counties in Ohio. CORSA was formed as an Ohio non-profit corporation for the purpose of establishing the CORSA 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 coverage provided by CORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Each member County has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the board of trustees. CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no equity interest in or a financial responsibility for CORSA. Any additional premium or contribution amounts and estimates of losses are not reasonably determinable. The County's payment for insurance to CORSA in 2003 was \$167,631.

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

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

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

NOTE 22 - 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 2003, these contributions were \$36,363.

NOTE 23 - FOOD STAMPS

The County's Department of Human Services (Welfare) distributes, through a contracting issuance center, federal food stamps to entitled recipients within Guernsey County. The receipt and issuance of the stamps have the characteristics of a federal grant. However, the Department of Human Services merely acts in an intermediary capacity. Therefore, the inventory value of these stamps is not reflected in the accompanying financial statements, as the only economic interest related to these stamps rests with the ultimate recipient. The value of the food stamp inventory on hand at December 31, 2003 is \$29,820.

Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 24 - CONTINGENCIES

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

NOTE 25 - GUERNSEY COUNTY PORT AUTHORITY

1. 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. The Port Authority is directed by a five-member Board of Directors appointed by the Guernsey County Commissioners.

The Port Authority is a component unit of Guernsey County since the members of the Port Authority's Board are appointed by the Guernsey County Board of Commissioners and the Port Authority is economically dependent on the County for financial support.

The Port Authority's management believes these financial statements present all activities for which the Port Authority is financially accountable. The Port Authority was formed in October 2000.

Basis of Accounting

These financial statements follow 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).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

Fund Accounting

The Port Authority maintains a General Fund, a governmental fund type, which is the general operating fund and is used to account for all financial resources of the Port Authority.

Budgetary Process

Budget

Ohio Rev. Code Section 4582.39, requires that each fund be budgeted annually. According to the by-laws, the budget for the next calendar year will be presented for approval at the January meeting.

Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements

Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

when paid. These items are not reflected as assets on the accompanying financial statements.

2. CASH

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31, 2003 follows:

Demand deposits	\$1,856
Total deposits	\$1,856

Deposits are entirely insured by the Federal Deposit Insurance Corporation.

3. GRANT

The Port Authority applied to, and received from, the Ohio EPA a grant in the amount of \$7,975 to be used for environmental clean up at a property to be used for industrial park expansion. The funds were paid to Brownfield Restoration to complete the work.

4. LEASED PROPERTY

The Port Authority entered into a seventy-five day option to buy contract for a property on Wheeling Avenue in Cambridge. The Port leased the property to the City of Cambridge for two months.

5. BOARD STIPENDS

Payment of board members stipends for the fourth quarter of 2003 was deferred until January 2004.

6. RISK MANAGEMENT

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

- Public Officials liability, and
- Commercial crime.

NOTE 26 - GUERNSEY INDUSTRIES

1. SUMMARY OF SIGNIFICANT POLICIES

Organization

Guernsey Industries is a not-for-profit organization 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 businesses. The Organization regularly grants credit to companies in the Cambridge and Guernsey County area.

General

The financial statements of Guernsey Industries have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the

Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

usefulness of the financial statements to the reader.

Basis of Presentation

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.

Inventory

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

Use of Estimates

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

Advertising Costs

The Organization expenses the productions costs of advertising in the first time the advertising takes place.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of related assets. Maintenance and repairs are charged 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 is based on the following policies:

<u>DESCRIPTION</u>	<u>USEFUL LIFE</u>	<u>METHOD</u>
Machinery and equipment	5-7 years	Straight line
Vehicles	3-5 years	Straight line

Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity date of three months or less to be cash equivalents.

Income Taxes

The Organization is exempt from federal income taxes under the 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.

2. **SHORT-TERM INVESTMENTS**

Short-term investments are carried at cost, which approximates market value. At December 31, 2003 these investments were primarily interest bearing bank certificates of deposit with maturity dates of greater than three months.

Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

3. INVENTORY

The components of inventory as of December 31, 2003 are as follows:

Materials	\$7,340
Finished Goods	<u>2,163</u>
	<u><u>\$9,503</u></u>

4. DONATED SERVICES, EQUIPMENT AND FACILITIES

The Guernsey County Board of MR/DD made in-kind contributions to the Guernsey Industries Workshop. The in-kind contributions as of December 31 2003 are as follows:

Production staff wages and fringe benefits	\$4,279
Adult program direct services wages and fringe benefits	16,468
Adult program capital costs	2,361
Adult program administrative costs	7,292
Adult program building service costs	<u>5,963</u>
	<u><u>\$36,363</u></u>

5. CONTINGENCY

The Organization operates a passenger van that has been substantially funded through federal grant monies from the Ohio Department of Transportation (ODOT). ODOT has filed a lien on this van in case of disposal. Upon disposal of the van Guernsey Industries must reimburse 80% (original funding ratio) of any residual fair market value of the vehicle at the time of such disposal.

6. DEFERRED INCOME

The Organization serves as the contract agent for funds received from the State of Ohio to serve the Family Resource Program. However, another party serves as the administrator of this program. All monies are received annually in July for expenditures occurring during the July through June period. Therefore, any unexpected monies remaining at year-end are recorded and are considered to be unrestricted net assets.

7. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefits.

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GUERNSEY COUNTY

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 2003**

FEDERAL GRANTOR <i>Pass-Through Grantor/ Program Title</i>	Pass-Through Entity Number	Federal CFDA Number	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE				
<i>Pass Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Food Distribution Program	N/A	10.550	\$0	\$864
School Breakfast Program	05-PU-03/04	10.553	2,209	
National School Lunch Program	04/05-PU-03/04	10.555	<u>3,623</u>	
Total United States Department of Agriculture - Child Nutrition Cluster			5,832	864
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<i>Passed Through Ohio Department of Development:</i>				
Community Development Block Grants / State's Program	B-C-00-028-1	14.228	54,517	
	B-C-02-028-1	14.228	21,041	
	B-F-01-028-1	14.228	98,173	
	B-F-02-028-1	14.228	<u>173,692</u>	
Total Community Development Block Grants / State's Program			347,423	0
HOME Investment Partnerships Program Grant	B-C-00-028-2	14.239	411	
HOME Investment Partnerships Program Grant	B-C-02-028-2	14.239	<u>52,687</u>	
Total HOME Investment Partnership Program Grants			53,098	0
Total United States Department of Housing and Urban Development			400,521	0
UNITED STATES DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Health and the Guernsey County Family & Children First Council:</i>				
Help Me Grow	N/A	84.181	71,342	
<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	17,963	
Preschool Disability Grant	071118-PGS1-2004	84.173	8,573	
Special Education Preschool Grants	PG-S1-2003P/2004P	84.173	<u>2,771</u>	
Total Special Education Cluster			<u>29,307</u>	0
Total United States Department of Education			100,649	0
UNITED STATES DEPARTMENT OF JUSTICE				
<i>Direct Programs:</i>				
Local Law Enforcement Block Grant	N/A	16.592	9,326	
Community Prosecution and Project Safe Neighborhoods	2002-GP-CX-0187	16.609	40,081	
<i>Passed Through Ohio Office of Criminal Justice Services:</i>				
Homeland Security / Edward Burns Grant	01-DG-H01-7610	16.579	<u>51,900</u>	
Total United States Department of Justice			101,307	0

GUERNSEY COUNTY

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 2003
(Continued)**

FEDERAL GRANTOR/ Pass-Through Grantor/ Program Title	Pass-Through Entity Number	Federal CFDA Number	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF LABOR				
<i>Passed Through Ohio Valley Employment Resource:</i>				
Employment and Training Assistance - Dislocated Workers: Windsor Coal	N/A	17.246	813	
<i>Passed Through Ohio Department of Job and Family Services:</i>				
Workforce Investment Act (WIA) Cluster:				
Workforce Investment Act - Adult Program	N/A	17.258	330,368	
Workforce Investment Act - Youth Activities	N/A	17.259	374,094	
Workforce Investment Act - Dislocated Workers	N/A	17.260	203,406	
Rapid Response	N/A	17.260	<u>3,690</u>	
Total Workforce Investment Act (WIA) Cluster:			911,558	0
Total United States Department of Labor			912,371	0
UNITED STATES DEPARTMENT OF TRANSPORTATION unit				
<i>Passed Through Ohio Department of Transportation:</i>				
Highway Planning and Construction	N/A	20.205	<u>2,314,034</u>	
Total United States Department of Transportation			2,314,034	0
UNITED STATES DEPARTMENT HEALTH AND HUMAN SERVICES				
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities (MRDD):</i>				
Social Services Block Grant (Title XX)	N/A	93.667	46,082	
Medical Assistance Program (Medicaid, Title XIX)	N/A	93.778	<u>718,941</u>	
Total United States Department of Health and Human Services			765,023	0
UNITED STATES DEPARTMENT OF HOMELAND SECURITY				
<i>Passed Through Ohio Department of Public Safety - Emergency Management Agency</i>				
State Domestic Preparedness Equipment Support Program	2002-TE-CX-0049	97.004	24,961	
	2001-TE-CX-0016	97.004	1,782	
	2002-TE-CX-0106	97.004	<u>63,545</u>	
Total State Domestic Preparedness Equipment Support Program			90,288	0
Public Assistance Grant	DR-1453	97.036	45,592	0
Emergency Management Performance Grants	MC-2003-GR-7006	97.042	<u>28,336</u>	0
Total United States Department of Homeland Security			<u>164,216</u>	0
Total Federal Awards Expenditures			<u>\$4,763,953</u>	<u>\$864</u>

The accompanying Notes to the Schedule of Federal Awards Expenditures are an integral part of this Schedule.

GUERNSEY COUNTY, OHIO

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of Guernsey County's (the County) 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 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 United States 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 United States Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At December 31, 2003, the County had \$636 of food commodities in inventory.

NOTE D – MATCHING REQUIREMENTS

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

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

The County has established a revolving loan program to provide low-interest loans to businesses for renovations and improvements. The Federal Development of Housing and Urban Development (HUD) granted money for these loans to the County, and they were passed through the Ohio Department of Development (ODOD). No additional loan money was granted to the County during 2003. Loans repaid, including interest, were used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by the building and/or property. At December 31, 2003, there were \$21,132 of loans outstanding under this program.

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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, each major fund and the aggregate discretely presented component units and the aggregate remaining fund information of Guernsey County, Ohio (the County), as of and for the year ended December 31, 2003, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 4, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of Guernsey Industries were audited by other auditors 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.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2003-001 and 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to the County's management in a separate letter dated November 4, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. A Reportable condition is described in the accompanying Schedule of Findings as item 2003-003.

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the County's management in a separate letter dated November 4, 2004.

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



Betty Montgomery
Auditor of State

November 4, 2004



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS 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 are applicable to each of its major federal programs for the year ended December 31, 2003. The County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003. We noted certain instances of noncompliance that do not require inclusion in this report that we have reported to the management of the County in a separate letter dated November 4, 2004.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on 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 condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



Betty Montgomery
Auditor of State

November 4, 2004

GUERNSEY COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2003

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Section .510?	No
(d)(1)(vii)	Major Programs (list):	Community Development Block Grants, State's Program – C.F.D.A. #14.228 and Highway Planning and Construction Grant – C.F.D.A. #20.205
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

GUERNSEY COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)

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

FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) (1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above. The main exceptions are: "then and now" certificates, blanket certificates and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the County can authorize the drawing of a warrant for the payment of the amount due. The County has thirty days from receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$100 for counties may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the County.

2. Fiscal officers may prepare so-called "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding 3 months or running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Effective September 26, 2003, the \$5,000 limit on the issuance of blanket certificates and the requirement that blanket certificates not extend beyond three months have been removed from the law. Effective September 26, 2003, blanket certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

3. Super Blanket Certificate – The County may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

GUERNSEY COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)

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

FINDING NUMBER 2003-001 (Continued)

Noncompliance Citation (Continued)

Ohio Rev. Code Section 5705.41(D) (1) (Continued)

The County did not properly certify the availability of funds prior to purchase commitment for 29 percent of the transactions tested in 2003. The Auditor's office (attorney fees from municipal court), Commissioner's office, County Senior Center, and Department of Job and Family Services were the departments in violation of Ohio Rev. Code Section 5705.41(D) at the legal level of control. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the County's funds exceeding budgetary spending limitations, we recommend the Clerk certify that funds are or will be available prior to obligation by the County. When prior certification is not possible, "then and now" certification should be used.

We recommend the County certify purchases to which Ohio Rev. Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Ohio Rev. Code Section 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the County incurs a commitment, and only when the requirements of Ohio Rev. Code Section 5705.41(D) are satisfied. The fiscal officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

FINDING NUMBER 2003-002

Noncompliance Citation

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

As described in Note 5 to the financial statements, the County had expenditures plus encumbrances in excess of appropriations within the Motor Vehicle and Gasoline Tax Special Revenue Fund as follows:

Public Works, Contractual Services	\$1,702,789
Intergovernmental, Contractual Services	\$282,219

These excess expenditures were partially caused by the County not budgeting for or recording all of the Ohio Department of Transportation Local Public Agency grant funding received and expended.

We recommend the County promptly record all grant funding and expenditures and monitor budget versus actual amounts to ensure expenditures and encumbrances do not exceed appropriated amounts. The County should review Auditor of State Bulletin 2000-08 for suggested accounting procedures for this type of funding.

GUERNSEY COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)

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

FINDING NUMBER 2003-003

Reportable Condition

Self Insurance monthly reconciliations were consistently performed for the months of January 2003 through August 2003; however, reconciliations were not performed for the months of September 2003 through December 2003. The reconciliations were performed without review from another person which could allow errors and/ or irregularities to occur and remain undetected.

We recommend the Insurance Clerk reconcile the Self Insurance account monthly and establish procedures governing an independent review of the monthly reconciliation prepared by the Insurance Clerk. These procedures could include recomputation to ensure the validity and completeness of all components of the reconciliation. In addition, this would help ensure that any errors and/ or unreconciled balances would be detected and investigated in a timely manner.

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)
FOR THE YEAR ENDED DECEMBER 31, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2002-001	Ohio Rev. Code Section 5705.41(D)(1): prior certification	No	Not Corrected; the noncompliance citation is repeated as Finding Number 2003-001 in the Schedule of Findings.
2002-002	Ohio Rev. Code Section 5705.41(B): expenditures exceeding appropriations due to the County not budgeting for or recording the Highway Planning and Construction grant monies spent on behalf of the County	No	Not Corrected; the noncompliance citation is repeated as Finding Number 2003-002 in the Schedule of Findings.

GUERNSEY COUNTY

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
FOR THE YEAR ENDED DECEMBER 31, 2003**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2003-001	The County Auditor's bookkeeping department plans to discuss improving prior certification procedures with the County departments. In addition, the Auditor's bookkeeping department plans to closely monitor the situation.	Ongoing	Tony Brown, County Auditor
2003-002	The County Engineer's office plans to forward all information concerning the Local Public Agency grant monies to the County Auditor's bookkeeping department to be budgeted and recorded.	Ongoing	Del George, County Engineer
2003-003	The County Auditor plans to assign an independent person the responsibility of monitoring the self insurance reconciliation procedures.	Ongoing	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 15, 2005**