

GUERNSEY COUNTY
ANNUAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2008

Wolfe, Wilson, & Phillips, Inc.
37 South Seventh Street
Zanesville, Ohio 43701



Mary Taylor, CPA
Auditor of State

Board of County Commissioners
Guernsey County
627 Wheeling Avenue
Cambridge, Ohio 43275

We have reviewed the *Independent Auditors' Report* of Guernsey County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period January 1, 2008 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 26, 2009

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GUERNSEY COUNTY

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WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701

INDEPENDENT AUDITORS' REPORT

Guernsey County
627 Wheeling Avenue
Cambridge, Ohio 43725

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Guernsey County, Ohio (the County) as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Guernsey County Port Authority and Guernsey Industries, Inc., the discretely presented component units. Other auditors audited those financial statements. They have furnished their report thereon to us and we based our opinion, insofar as it relates to the amounts included for the Guernsey County Port Authority and Guernsey Industries, Inc. on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 financial statements of Guernsey Industries, Inc. were not audited in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates, if any, made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provides a reasonable basis for our opinions.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, the discretely presented component units (except Guernsey Industries, Inc.), each major fund, and the aggregate remaining fund information of the Guernsey County, Ohio as of December 31, 2008, and the respective changes in financial position and the respective budgetary comparison for the General Fund, Public Assistance Fund, Motor Vehicle and Gasoline Tax Fund, and Mental Retardation and Developmental Disabilities Fund, for the year then ended in conformity with the basis of accounting Note 2 describes.

Independent Auditors' Report

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Also in our opinion, based on the report of other auditors, the financial statements of Guernsey Industries, Inc., present fairly, in all material respects, its financial position, as of December 31, 2008, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United State of America

In accordance with *Government Auditing Standards*, we have also issued a report dated September 11, 2009, on our consideration of Guernsey County's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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 supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine of the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards expenditures present additional information and is required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. It is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule 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.

Wolfe, Wilson, & Phillips, Inc.

Zanesville, Ohio

September 11, 2009

GUERNSEY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2008

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, 2008, within the limitations of the County's modified cash basis accounting. Readers should also review the modified cash basis financial statements and notes to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- Net modified cash assets of governmental activities decreased \$438,193.
- At the end of the current year, the County's governmental funds reported a combined ending fund balance of \$16,815,913, a decrease of \$507,098 from the prior year.

Using this Annual Financial Report

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

Basis of Accounting

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

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

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 private-sector business.

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

GUERNSEY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2008

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

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

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

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

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Fund financial statements provide detailed information about the County's major funds. Based on the restriction of the use of monies, 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 Public Assistance, Motor Vehicle and Gasoline Tax and Mental Retardation and Developmental Disabilities 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.

The County maintains a multitude of individual governmental funds. Information is presented separately on the governmental fund *Statements of Modified Cash Basis Assets and Fund Balances* and *Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances* for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation.

GUERNSEY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2008

Proprietary Funds – The County maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities on the government-wide financial statements. The County uses enterprise funds to account for the Water Fund operations and Sewer Fund operations. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's other programs and activities. The Self-Insurance Fund accounts for the claims relating to the County's self-insurance 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.

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

Government-Wide Financial Analysis

Table 1 provides a summary of the County's net assets for 2008 compared to 2007.

A portion of the County's governmental activities net assets, \$16,321,501, or 94.7 percent, represents resources that are subject to restrictions on how they can be used. The remaining balance of unrestricted assets, \$913,103, or 5.3 percent, is to be used to meet the County's ongoing obligations to citizens and creditors.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets						
Equity in Pool Cash and Cash Equivalents	\$ 15,477,521	\$ 16,150,948	\$ 2,868,862	\$ 434,008	\$ 18,346,383	\$ 16,584,956
Cash and Cash Equivalents with Fiscal and Escrow Agents	1,757,083	1,521,849	0	0	1,757,083	1,521,849
Total Assets	17,234,604	17,672,797	2,868,862	434,008	20,103,466	18,106,805
Net Assets						
Restricted for:						
Capital Projects	943,618	1,054,457	0	0	943,618	1,054,457
Debt Service	173,866	161,606	0	0	173,866	161,606
Motor Vehicle Gas Tax	1,593,190	1,655,539	0	0	1,593,190	1,655,539
Public Assistance	718,492	617,160	0	0	718,492	617,160
Children Services	1,669,863	2,105,430	0	0	1,669,863	2,105,430
Mental Retardation and Developmental Disabilities	9,376,664	9,141,897	0	0	9,376,664	9,141,897
Other Purposes	1,845,808	1,715,398	0	0	1,845,808	1,715,398
Unrestricted	913,103	1,221,310	2,868,862	434,008	3,781,965	1,655,318
Total Net Assets	\$ 17,234,604	\$ 17,672,797	\$ 2,868,862	\$ 434,008	\$ 20,103,466	\$ 18,106,805

GUERNSEY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2008

Table 2 shows the changes in net assets for 2008 compared to 2007.

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Receipts:						
<i>Program Receipts:</i>						
Charges for Services	\$ 3,929,150	\$ 4,069,245	\$ 2,117,812	\$ 2,098,121	\$ 6,046,962	\$ 6,167,366
Operating Grants & Contributions	19,951,327	22,830,803	842,260	0	20,793,587	22,830,803
Capital Grants & Contributions	1,470,663	1,207,154	0	737,937	1,470,663	1,945,091
Total Program Receipts	25,351,140	28,107,202	2,960,072	2,836,058	28,311,212	30,943,260
<i>General Receipts and Transfers:</i>						
Property Taxes	5,373,718	5,827,466	0	0	5,373,718	5,827,466
Permissive Sales Tax	5,851,527	5,847,891	0	0	5,851,527	5,847,891
Grants and Entitlements	1,392,380	1,169,557	0	0	1,392,380	1,169,557
Investment Earnings	802,963	918,329	40,724	0	843,687	918,329
General Obligation Bonds Issued	205,000	255,000	2,839,000	0	3,044,000	255,000
Bond Anticipation Notes Issued	0	200,000	0	0	0	200,000
Loan Payments Received	0	1,502	0	0	0	1,502
Proceeds of OWDA Loans	0	0	167,526	747,957	167,526	747,957
Miscellaneous	436,481	434,905	32,316	3,854	468,797	438,759
Total General Receipts	14,062,069	14,654,650	3,079,566	751,811	17,141,635	15,406,461
Total Receipts	39,413,209	42,761,852	6,039,638	3,587,869	45,452,847	46,349,721
Program Disbursements:						
<i>General Government</i>						
Legislative and Executive	4,861,288	4,706,664	0	0	4,861,288	4,706,664
Judicial	2,873,205	2,838,116	0	0	2,873,205	2,838,116
Public Safety	3,812,154	3,503,117	0	0	3,812,154	3,503,117
Public Works	5,845,870	5,402,737	0	0	5,845,870	5,402,737
Health	6,242,904	6,189,114	0	0	6,242,904	6,189,114
Human Services	13,629,535	15,142,535	0	0	13,629,535	15,142,535
Economic Development	480,079	524,963	0	0	480,079	524,963
Other	347,262	433,660	0	0	347,262	433,660
Capital Outlay	391,868	445,754	0	0	391,868	445,754
Debt Service						
Principal	956,673	1,083,238	0	0	956,673	1,083,238
Interest and Fiscal Charges	404,529	423,304	0	0	404,529	423,304
Issuance Costs	4,525	1,436	0	0	4,525	1,436
Sewer	0	0	310,194	751,573	310,194	751,573
Water	0	0	3,296,100	2,884,138	3,296,100	2,884,138
Total Disbursements	39,849,892	40,694,638	3,606,294	3,635,711	43,456,186	44,330,349
Excess/(Deficiency) Before						
Transfers and Advances	(436,683)	2,067,214	2,433,344	(47,842)	1,996,661	2,019,372
Transfers	(54,478)	86,501	54,478	(86,501)	0	0
Advances	52,968	(75,000)	(52,968)	75,000	0	0
Change in Net Assets	(438,193)	2,078,715	2,434,854	(59,343)	1,996,661	2,019,372
Net Assets, Beginning of Year	17,672,797	15,594,082	434,008	493,351	18,106,805	16,087,433
Net Assets, End of Year	\$ 17,234,604	\$ 17,672,797	\$ 2,868,862	\$ 434,008	\$ 20,103,466	\$ 18,106,805

GUERNSEY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2008

Operating grants were the largest program receipts, accounting for \$19,951,327 or 78.7 percent of total for governmental activities.

Property tax receipts accounted for \$5,373,718 or 13.7 percent of total governmental receipts. Another major component of general governmental receipts was permissive sales taxes, which accounted for \$5,851,527 or 14.8 percent of total receipts.

The County's direct charges to users of governmental services made up \$3,929,150 or 10 percent of total governmental receipts. These charges are for fees associated with the collection of property taxes, fines and forfeitures related to judicial activity, and licenses and permits.

Human services programs accounted for \$13,629,535 or 34.2 percent of total disbursements for governmental activities. Other major program disbursements for governmental activities include health, which accounted for \$6,242,904 or 15.7 percent of total disbursements, public works, which accounted for \$5,845,870 or 14.7 percent of total disbursements, and general government – legislative and executive, which accounted for \$7,734,493 or 19.4 percent of total disbursements.

Business-Type Activities – As of December 31, 2008, business-type funds of the County reported net assets of \$2,868,862. This is an increase of \$2,434,854 during 2008. This increase is a direct result of the County having bond proceeds of \$2,839,000 during 2008 in the water fund.

Table 3, for governmental activities, indicates the total cost of services and the net cost of services for 2008 compared to 2007. The statement of activities reflects the cost of program services and the charges for services, grants, contributions, and interest offsetting those services. The net cost of services identifies the cost of those services supported by tax receipts, unrestricted intergovernmental receipts, and unrestricted interest receipts.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
General Government:				
Legislative and Executive	\$ 4,861,288	\$ 4,706,664	\$ 2,867,076	\$ 2,748,325
Judicial	2,873,205	2,838,116	1,799,090	1,625,555
Public Safety	3,812,154	3,503,117	2,810,935	2,671,415
Public Works	5,845,870	5,402,737	(40,062)	(535,924)
Health	6,242,904	6,189,114	2,790,557	2,700,788
Human Services	13,629,535	15,142,535	2,080,891	1,093,430
Economic Development	480,079	524,963	85,408	(103,545)
Miscellaneous	347,262	433,660	347,262	433,660
Capital Outlay	391,868	445,754	391,868	445,754
Debt Service				
Principal	956,673	1,083,238	956,673	1,083,238
Interest and Fiscal Charges	404,529	423,304	404,529	423,304
Issuance Costs	4,525	1,436	4,525	1,436
Total Disbursements	<u>\$ 39,849,892</u>	<u>\$ 40,694,638</u>	<u>\$ 14,498,752</u>	<u>\$ 12,587,436</u>

GUERNSEY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2008

Charges for services, operating grants and contributions, capital grants and contributions of \$25,351,140 or 63.6 percent of the total costs of services are received and used to fund the general government disbursements of the County. The remaining \$14,498,752 in general government disbursements is funded by property taxes, permissive sales taxes, intergovernmental receipts, interest, miscellaneous receipts, and proceeds of debt.

The \$(2,790,557) in net cost of services for health demonstrates the costs of services that are not supported from state and federal resources. As such, the taxpayers have approved property tax levies for several programs including the Mental Retardation and Development Disabilities and County Home.

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, 2008, the County's governmental funds reported a combined ending fund balance of \$16,815,913, a decrease of \$507,098 in comparison with the prior year. \$16,686,162, or 99.2 percent of this total, constitutes unreserved, undesignated fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior year (\$67,938) or reserved for unclaimed monies (\$61,813). 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 2008, unreserved fund balance was \$465,302, while total fund balance was \$556,225. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund disbursements. Unreserved fund balance represents 4.6 percent to total General Fund disbursements, while total fund balance represents 5.4 percent of that same amount.

The fund balance of the County's General Fund decreased by \$348,025 during 2008. The primary reason for the decrease was a decrease in overall revenue in the general fund, particularly property and sales tax revenue.

At the end of 2008 the Public Assistance Fund had a fund balance of \$718,492 in comparison to a fund balance of \$617,160 at the end of 2007. This increase is primarily due to an increase in transfers in.

At the end of 2008 the Motor Vehicle and Gasoline Tax Special Revenue Fund had a fund balance of \$1,593,190 in comparison to a fund balance of \$1,655,539 at the end of 2007. This decrease is primarily due to a decrease in permissive motor vehicle license tax.

At the end of 2008 the Mental Retardation and Developmental Disabilities Special Revenue Fund had a fund balance of \$9,376,664, in comparison to a fund balance of \$9,141,897 at the end of 2007. This increase is primarily due to revenue exceeding disbursements during the current year.

Budgetary Highlights

GUERNSEY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2008

The County's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Board of County Commissioners adopts a permanent annual operating budget for the County on or about January 1.

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

Economic Factors

The unemployment rate for Guernsey County averaged 8.5% in 2008. This rate is higher than the State of Ohio rate of 7.8 percent in December of 2008.

The County's \$579,541,540 overall assessed valuation has decreased \$10,151,180 from the prior year. This decrease is attributable to the phase-out of the tangible personal property assessed values which declined by \$17,874,160 in 2008. Real property values have increased since the triennial update in 2006, and were up an additional \$5,961,570 in 2008.

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.

Guernsey County, Ohio
Statement of Net Assets - Modified Cash Basis
 December 31, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Guernsey County Port Authority
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 15,477,521	\$ 2,868,862	\$ 18,346,383	\$ 179,462
Cash and Cash Equivalents with Fiscal Agent	1,757,083	0	1,757,083	0
<i>Total Assets</i>	<u>\$ 17,234,604</u>	<u>\$ 2,868,862</u>	<u>\$ 20,103,466</u>	<u>\$ 179,462</u>
Net Assets				
Restricted for:				
Capital Outlay	943,618	0	943,618	0
Debt Service	173,866	0	173,866	0
Motor Vehicle and Gasoline Tax	1,593,190	0	1,593,190	0
Public Assistance	718,492	0	718,492	0
Children Services	1,669,863	0	1,669,863	0
Mental Retardation and Developmental Disabilities	9,376,664	0	9,376,664	0
Other Purposes	1,845,808	0	1,845,808	0
Unrestricted	913,103	2,868,862	3,781,965	179,462
<i>Total Net Assets</i>	<u>\$ 17,234,604</u>	<u>\$ 2,868,862</u>	<u>\$ 20,103,466</u>	<u>\$ 179,462</u>

See accompanying notes to the basic financial statements.

Guernsey County, Ohio
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2008

	Program Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government:				
Legislative and Executive	\$ 4,861,288	\$ 1,909,055	\$ 85,157	\$ 0
Judicial	2,873,205	778,021	296,094	0
Public Safety	3,812,154	343,571	657,648	0
Public Works	5,845,870	231,762	4,281,840	1,372,330
Health	6,242,904	478,540	2,885,309	88,498
Human Services	13,629,535	188,201	11,350,608	9,835
Economic Development and Assistance	480,079	0	394,671	0
Other	347,262	0	0	0
Capital Outlay	391,868	0	0	0
Principal Retirements	956,673	0	0	0
Interest and Fiscal Charges	404,529	0	0	0
Issuance Costs	4,525	0	0	0
<i>Total Governmental Activities</i>	<u>39,849,892</u>	<u>3,929,150</u>	<u>19,951,327</u>	<u>1,470,663</u>
Business-Type Activities:				
Sewer Fund	310,194	224,337	0	0
Water Fund	3,296,100	1,893,475	842,260	0
<i>Total Business-Type Activities</i>	<u>3,606,294</u>	<u>2,117,812</u>	<u>842,260</u>	<u>0</u>
<i>Total - Primary Government</i>	<u>\$ 43,456,186</u>	<u>\$ 6,046,962</u>	<u>\$ 20,793,587</u>	<u>\$ 1,470,663</u>
Component Unit:				
Guernsey County Port Authority	<u>\$ 243,076</u>	<u>\$ 176,709</u>	<u>\$ 0</u>	<u>\$ 0</u>

General Receipts

Property Taxes Levied for:

General Purposes
Health Levy
County Home
Children Services
Mental Retardation and Development Disabilities
Senior Citizens Levy

Sales Taxes Levied for:

General Purposes
Other Purposes

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings
Proceeds of Bonds
Proceeds of OWDA Loan
Miscellaneous

Total General Receipts

Transfers

Advances

Total General Receipts, Transfers and Advances

Change in Net Assets

Net Assets, Beginning of Year

Net Assets, End of Year

Net (Disbursements) Receipts and Changes in Net Assets			Component Unit
Governmental Activities	Business-Type Activities	Total	Guernsey County Port Authority
\$ (2,867,076)	\$ 0	\$ (2,867,076)	\$ 0
(1,799,090)	0	(1,799,090)	0
(2,810,935)	0	(2,810,935)	0
40,062	0	40,062	0
(2,790,557)	0	(2,790,557)	0
(2,080,891)	0	(2,080,891)	0
(85,408)	0	(85,408)	0
(347,262)	0	(347,262)	0
(391,868)	0	(391,868)	0
(956,673)	0	(956,673)	0
(404,529)	0	(404,529)	0
(4,525)	0	(4,525)	0
<u>(14,498,752)</u>	<u>0</u>	<u>(14,498,752)</u>	<u>0</u>
0	(85,857)	(85,857)	0
<u>0</u>	<u>(560,365)</u>	<u>(560,365)</u>	<u>0</u>
0	(646,222)	(646,222)	0
<u>(14,498,752)</u>	<u>(646,222)</u>	<u>(15,144,974)</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>(66,367)</u>
1,380,918	0	1,380,918	0
251,917	0	251,917	0
471,499	0	471,499	0
1,029,583	0	1,029,583	0
1,887,987	0	1,887,987	0
351,814	0	351,814	0
4,983,076	0	4,983,076	0
868,451	0	868,451	0
1,392,380	0	1,392,380	0
802,963	40,724	843,687	8,639
205,000	2,839,000	3,044,000	0
	167,526	167,526	0
<u>436,481</u>	<u>32,316</u>	<u>468,797</u>	<u>27,097</u>
14,062,069	3,079,566	17,141,635	35,736
(54,478)	54,478	0	0
<u>52,968</u>	<u>(52,968)</u>	<u>0</u>	<u>0</u>
14,060,559	3,081,076	17,141,635	35,736
(438,193)	2,434,854	1,996,661	(30,631)
<u>17,672,797</u>	<u>434,008</u>	<u>18,106,805</u>	<u>210,093</u>
<u>\$ 17,234,604</u>	<u>\$ 2,868,862</u>	<u>\$ 20,103,466</u>	<u>\$ 179,462</u>

Guernsey County, Ohio
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2008

	General	Public Assistance	Motor Vehicle and Gasoline Tax	Mental Retardation and Developmental Disabilities	All Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 556,225	\$ 718,492	\$ 1,593,190	\$ 7,619,581	\$ 4,571,342	\$ 15,058,830
Cash and Cash Equivalents with Fiscal Agent	0	0	0	1,757,083	0	1,757,083
<i>Total Assets</i>	<u>\$ 556,225</u>	<u>\$ 718,492</u>	<u>\$ 1,593,190</u>	<u>\$ 9,376,664</u>	<u>\$ 4,571,342</u>	<u>\$ 16,815,913</u>
Fund Balances						
Reserved for Encumbrances	29,110	0	37,780	0	1,048	67,938
Reserved for Unclaimed Monies	61,813	0	0	0	0	61,813
Unreserved, Undesignated, Reported in:						
General Fund	465,302	0	0	0	0	465,302
Special Revenue Funds	0	718,492	1,555,410	9,376,664	3,452,810	15,103,376
Debt Service Funds	0	0	0	0	173,866	173,866
Capital Projects Funds	0	0	0	0	943,618	943,618
<i>Total Fund Balances</i>	<u>\$ 556,225</u>	<u>\$ 718,492</u>	<u>\$ 1,593,190</u>	<u>\$ 9,376,664</u>	<u>\$ 4,571,342</u>	<u>\$ 16,815,913</u>

See accompanying notes to the basic financial statements.

Guernsey County, Ohio
*Reconciliation of Total Governmental Fund Balances to
Net Assets - Modified Cash Assets of Governmental Activities
December 31, 2008*

Total Governmental Fund Balances \$ 16,815,913

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

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

418,691

Net Assets of Governmental Activities

\$ 17,234,604

See accompanying notes to the basic financial statements.

Guernsey County, Ohio
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2008

	General	Public Assistance	Motor Vehicle and Gasoline Tax	Mental Retardation and Developmental Disabilities	All Other Governmental Funds	Total Governmental Funds
Receipts						
Property Taxes	\$ 1,370,798	\$ 0	\$ 0	\$ 1,887,987	\$ 2,114,932	\$ 5,373,717
Sales Tax	4,983,076	0	0	0	868,451	5,851,527
Special Assessments	0	0	0	0	94,156	94,156
Charges for Services	1,629,061	0	0	61,079	1,326,434	3,016,574
Licenses and Permits	51,079	0	0	0	75,983	127,062
Fines and Forfeitures	131,490	0	209,185	0	130,321	470,996
Intergovernmental	1,392,383	7,865,192	4,281,840	2,590,948	6,491,519	22,621,882
Interest	773,314	0	5,191	0	24,458	802,963
Rent	162,500	0	0	0	152,018	314,518
Contributions and Donations	0	0	0	0	98,333	98,333
Other	58,235	5,797	3,552	47,912	320,985	436,481
<i>Total Receipts</i>	<u>10,551,936</u>	<u>7,870,989</u>	<u>4,499,768</u>	<u>4,587,926</u>	<u>11,697,590</u>	<u>39,208,209</u>
Disbursements						
Current:						
General Government:						
Legislative and Executive	4,273,663	0	0	0	608,402	4,882,065
Judicial	2,279,700	0	0	0	594,124	2,873,824
Public Safety	2,741,681	0	0	0	1,081,039	3,822,720
Public Works	177,309	0	4,326,145	0	1,359,812	5,863,266
Health	58,847	0	0	4,326,064	1,877,540	6,262,451
Human Services	281,148	7,934,898	0	0	5,413,489	13,629,535
Economic Development and Assistance	15,308	0	0	0	464,771	480,079
Other	347,262	0	0	0	0	347,262
Capital Outlay	57,010	3,532	190,659	27,095	113,572	391,868
Debt Service:						
Principal Retirements	0	0	4,544	0	952,129	956,673
Interest and Fiscal Charges	0	0	0	0	404,529	404,529
Issuance Costs	0	0	0	0	4,525	4,525
<i>Total Disbursements</i>	<u>10,231,928</u>	<u>7,938,430</u>	<u>4,521,348</u>	<u>4,353,159</u>	<u>12,873,932</u>	<u>39,918,797</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>320,008</u>	<u>(67,441)</u>	<u>(21,580)</u>	<u>234,767</u>	<u>(1,176,342)</u>	<u>(710,588)</u>
Other Financing Sources and (Uses)						
Transfers In	0	168,773	24,699	0	620,336	813,808
Transfers Out	(669,033)	0	(65,468)	0	(133,785)	(868,286)
Advances In	1,000	0	0	0	52,968	53,968
Advances Out	0	0	0	0	(1,000)	(1,000)
Proceeds of Bonds	0	0	0	0	205,000	205,000
<i>Total Other Financing Sources and (Uses)</i>	<u>(668,033)</u>	<u>168,773</u>	<u>(40,769)</u>	<u>0</u>	<u>743,519</u>	<u>203,490</u>
<i>Net Change in Fund Balance</i>	<u>(348,025)</u>	<u>101,332</u>	<u>(62,349)</u>	<u>234,767</u>	<u>(432,823)</u>	<u>(507,098)</u>
<i>Fund Balance, Beginning of Year</i>	<u>904,250</u>	<u>617,160</u>	<u>1,655,539</u>	<u>9,141,897</u>	<u>5,004,165</u>	<u>17,323,011</u>
<i>Fund Balance, End of Year</i>	<u>\$ 556,225</u>	<u>\$ 718,492</u>	<u>\$ 1,593,190</u>	<u>\$ 9,376,664</u>	<u>\$ 4,571,342</u>	<u>\$ 16,815,913</u>

See accompanying notes to the basic financial statements.

Guernsey County, Ohio
*Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
of Governmental Funds to the Statement of Activities -Modified Cash Basis
For The Year Ended December 31, 2008*

Net Change in Fund Balances - Total Governmental Funds \$ (507,098)

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

The internal service funds used by management to charge the cost of insurance to individual funds in not reported in the entity-wide statements of activities. Governmental expenditures and related internal service fund revenues are eliminated. The change for governmental funds is reported for the year.

68,905

Change in Net Assets of Governmental Activities

\$ (438,193)

See accompanying notes to the basic financial statements.

Gurensen County, Ohio
Statement of Cash Receipts, Disbursements and Changes
In Cash Basis Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
Receipts				
Property Taxes	\$ 1,331,541	\$ 1,331,541	\$ 1,380,254	\$ 48,713
Sales Taxes	4,978,776	4,978,776	4,983,076	4,300
Charges for Services	1,713,289	1,723,847	1,629,061	(94,786)
Licenses and Permits	49,890	49,890	51,079	1,189
Fines and Forfeitures	137,862	137,862	131,490	(6,372)
Intergovernmental	1,433,004	1,433,273	1,392,383	(40,890)
Interest	800,000	800,000	777,843	(22,157)
Rent	162,500	162,500	162,500	0
Other	38,086	38,086	58,235	20,149
<i>Total Receipts</i>	<u>10,644,948</u>	<u>10,655,775</u>	<u>10,565,921</u>	<u>(89,854)</u>
Disbursements				
Current:				
General Government:				
Legislative and Executive	4,643,763	4,394,320	4,275,083	119,237
Judicial	2,252,335	2,284,979	2,282,091	2,888
Public Safety	2,777,772	2,793,972	2,766,480	27,492
Public Works	174,767	178,932	177,309	1,623
Health	58,797	58,847	58,847	0
Human Services	303,040	300,053	281,148	18,905
Economic Development and Assistance	4,570	15,570	15,308	262
Other	445,741	446,931	347,262	99,669
Capital Outlay	60,500	63,344	57,510	5,834
<i>Total Disbursements</i>	<u>10,721,285</u>	<u>10,536,948</u>	<u>10,261,038</u>	<u>275,910</u>
Excess of Receipts Over (Under) Disbursements	<u>(76,337)</u>	<u>118,827</u>	<u>304,883</u>	<u>186,056</u>
Other Financing Sources and (Uses)				
Transfers In	322,212	322,212	319,672	(2,540)
Transfers Out	(731,230)	(978,497)	(988,705)	(10,208)
Advances In	0	0	1,000	1,000
<i>Total Other Financing Sources and (Uses)</i>	<u>(409,018)</u>	<u>(656,285)</u>	<u>(668,033)</u>	<u>(11,748)</u>
Net Change in Fund Balance	(485,355)	(537,458)	(363,150)	174,308
Fund Balance, Beginning of Year	813,446	813,446	813,446	0
Prior Year Encumbrances Appropriated	6,814	6,814	6,814	0
Fund Balance, End of Year	<u>\$ 334,905</u>	<u>\$ 282,802</u>	<u>\$ 457,110</u>	<u>\$ 174,308</u>

See accompanying notes to the basic financial statements.

Gurensy County, Ohio
Statement of Cash Receipts, Disbursements and Changes
In Cash Basis Fund Balance - Budget and Actual (Budget Basis)
Public Assistance Fund
For the Year Ended December 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Receipts				
Intergovernmental	\$ 9,833,137	\$ 9,833,137	\$ 8,119,224	\$ (1,713,913)
Other	0	0	5,797	5,797
<i>Total Receipts</i>	<u>9,833,137</u>	<u>9,833,137</u>	<u>8,125,021</u>	<u>(1,708,116)</u>
Disbursements				
Current:				
Human Services	10,365,378	10,365,378	7,934,898	2,430,480
Capital Outlay	20,000	20,000	3,532	16,468
<i>Total Disbursements</i>	<u>10,385,378</u>	<u>10,385,378</u>	<u>7,938,430</u>	<u>2,446,948</u>
Excess of Receipts Over (Under) Disbursements	<u>(552,241)</u>	<u>(552,241)</u>	<u>186,591</u>	<u>738,832</u>
Other Financing Sources				
Transfers In	189,113	189,113	168,773	(20,340)
Net Change in Fund Balance	(363,128)	(363,128)	355,364	718,492
Fund Balance, Beginning of Year	363,128	363,128	363,128	0
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 718,492</u>	<u>\$ 718,492</u>

See accompanying notes to the basic financial statements.

Gurensy County, Ohio
Statement of Cash Receipts, Disbursements and Changes
In Cash Basis Fund Balance - Budget and Actual (Budget Basis)
Motor Vehicle and Gasoline Tax Fund
For the Year Ended December 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Receipts				
Permissive Motor Vehicle License Tax	\$ 140,000	\$ 140,000	\$ 143,698	3,698
Fines and Forfeitures	180,000	180,000	209,185	29,185
Intergovernmental	3,985,000	4,004,850	4,138,142	133,292
Interest	40,000	40,000	8,739	(31,261)
Other	0	0	3,552	3,552
<i>Total Receipts</i>	<u>4,345,000</u>	<u>4,364,850</u>	<u>4,503,316</u>	<u>138,466</u>
Disbursements				
Current:				
Public Works	5,667,140	5,686,890	4,363,925	1,322,965
Capital Outlay	230,000	230,000	190,659	39,341
Debt Service:				
Principal Retirements	0	0	4,544	(4,544)
<i>Total Disbursements</i>	<u>5,897,140</u>	<u>5,916,890</u>	<u>4,559,128</u>	<u>1,357,762</u>
Excess of Receipts Over (Under) Disbursements	<u>(1,552,140)</u>	<u>(1,552,040)</u>	<u>(55,812)</u>	<u>1,496,228</u>
Other Financing Sources and (Uses)				
Transfers Out	(65,500)	(65,600)	(65,468)	132
Transfers In	24,699	24,699	24,699	0
Total Other Financing Sources and (Uses)	<u>(40,801)</u>	<u>(40,901)</u>	<u>(40,769)</u>	<u>132</u>
Net Change in Fund Balance	(1,592,941)	(1,592,941)	(96,581)	1,496,360
Fund Balance, Beginning of Year	1,592,942	1,592,942	1,592,942	0
Prior Year Encumbrances Appropriated	58,757	58,757	58,757	0
Fund Balance, End of Year	<u>\$ 58,758</u>	<u>\$ 58,758</u>	<u>\$ 1,555,118</u>	<u>\$ 1,496,360</u>

See accompanying notes to the basic financial statements.

Gurensy County, Ohio
Statement of Cash Receipts, Disbursements and Changes
In Cash Basis Fund Balance - Budget and Actual (Budget Basis)
Mental Retardation and Developmental Disabilities Fund
For the Year Ended December 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Receipts				
Property Taxes	\$ 1,818,626	\$ 1,818,626	\$ 1,909,806	91,180
Charges for Services	64,000	64,000	61,079	(2,921)
Intergovernmental	2,184,842	2,185,242	2,590,948	405,706
Other	26,600	26,600	47,912	21,312
<i>Total Receipts</i>	<u>4,094,068</u>	<u>4,094,468</u>	<u>4,609,745</u>	<u>515,277</u>
Disbursements				
Current:				
Health	6,351,563	6,498,963	4,326,064	2,172,899
Capital Outlay	32,407	60,407	27,095	33,312
<i>Total Disbursements</i>	<u>6,383,970</u>	<u>6,559,370</u>	<u>4,353,159</u>	<u>2,206,211</u>
Net Change in Fund Balance	(2,289,902)	(2,464,902)	256,586	2,721,488
Fund Balance, Beginning of Year	<u>8,961,283</u>	<u>8,961,283</u>	<u>8,961,283</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 6,671,381</u>	<u>\$ 6,496,381</u>	<u>\$ 9,217,869</u>	<u>\$ 2,721,488</u>

See accompanying notes to the basic financial statements.

Guernsey County, Ohio
Statement of Fund Net Assets - Modified Cash Basis
Proprietary Funds
December 31, 2008

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Sewer	Water	Total	
Assets				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$ 72,687	\$ 2,796,175	\$ 2,868,862	\$ 418,691
 Net Assets				
Unrestricted	\$ 72,687	\$ 2,796,175	\$ 2,868,862	\$ 418,691

See accompanying notes to the basic financial statements.

Guernsey County, Ohio
Statement of Cash Receipts, Disbursements and Changes in Fund Net Assets - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2008

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Sewer	Water	Total	
Operating Receipts				
Charges for Services	\$ 223,587	\$ 1,860,705	\$ 2,084,292	\$ 3,985,100
Tap-In Fees	750	32,770	33,520	0
Other	0	31,166	31,166	0
<i>Total Operating Receipts</i>	<u>224,337</u>	<u>1,924,641</u>	<u>2,148,978</u>	<u>3,985,100</u>
Operating Disbursements				
Personal Services	104,061	510,482	614,543	0
Contractual Services	120,021	940,032	1,060,053	439,103
Materials and Supplies	17,918	160,056	177,974	0
Claims	0	0	0	3,477,092
Capital Outlay	15,135	1,232,844	1,247,979	0
Other	6,659	51,136	57,795	0
<i>Total Operating Disbursements</i>	<u>263,794</u>	<u>2,894,550</u>	<u>3,158,344</u>	<u>3,916,195</u>
<i>Operating Income (Loss)</i>	<u>(39,457)</u>	<u>(969,909)</u>	<u>(1,009,366)</u>	<u>68,905</u>
Non-Operating Receipts (Disbursements)				
Proceeds of OWDA Loan	22,260	145,266	167,526	0
Proceeds of Bonds	0	2,839,000	2,839,000	0
Interest	0	40,724	40,724	0
Intergovernmental	0	842,260	842,260	0
Other Non-Operating Receipts	165	985	1,150	0
Advances Out	0	(52,968)	(52,968)	0
Principal Retirement	(24,140)	(211,430)	(235,570)	0
Interest and Fiscal Charges	(22,260)	(155,552)	(177,812)	0
Bond Issuance Costs	0	(34,568)	(34,568)	0
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(23,975)</u>	<u>3,413,717</u>	<u>3,389,742</u>	<u>0</u>
<i>Income (Loss) Before Transfers</i>	<u>(63,432)</u>	<u>2,443,808</u>	<u>2,380,376</u>	<u>68,905</u>
Transfers In	35,330	19,148	54,478	0
<i>Change in Net Assets</i>	<u>(28,102)</u>	<u>2,462,956</u>	<u>2,434,854</u>	<u>68,905</u>
<i>Net Assets, Beginning of Year</i>	<u>100,789</u>	<u>333,219</u>	<u>434,008</u>	<u>349,786</u>
<i>Net Assets, End of Year</i>	<u>\$ 72,687</u>	<u>\$ 2,796,175</u>	<u>\$ 2,868,862</u>	<u>\$ 418,691</u>

See accompanying notes to the basic financial statements.

Guernsey County, Ohio
Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds Funds
December 31, 2008

	Private Purpose Trust	Agency
Assets		
Cash and Cash Equivalents in Segregated Accounts	\$ 84,623	\$ 2,086,183
Net Assets		
Held in Trust for Children Services	84,623	0
Unrestricted	0	2,086,183
	\$ 84,623	\$ 2,086,183

See accompanying notes to the basic financial statements.

Guernsey County, Ohio
Statement of Changes in Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
For the Year Ended December 31, 2008

	<u>Private Purpose Trust</u>
Additions	
Interest	<u>\$ 4,050</u>
Deductions	
Payments in Accordance with Trust Agreements	<u>356</u>
<i>Change in Net Assets</i>	3,694
<i>Net Assets, Beginning of Year - Restated (See Note 3)</i>	<u>80,929</u>
<i>Net Assets, End of year</i>	<u><u>\$ 84,623</u></u>

See accompanying notes to the basic financial statements.

Guernsey Industries
Statement of Net Assets
December 31, 2008

Assets

Current Assets:

Cash	\$ 112,168
Accounts Receivable	50,930
Investments	48,640
Inventory	20,054
	<hr/>

Total Current Assets 231,792

Non-Current Assets

Machinery and Equipment	122,452
Vehicles	110,179
	<hr/>
	232,631

Less: Accumulated Depreciation

186,167

Total Non-Current Assets

46,464

Total Assets

\$ 278,256

Liabilities

Current Liabilities

Accounts Payable	\$ 3,475
Accrued Expenses	6,298
	<hr/>

Total Current Liabilities

9,773

Net Assets

Unrestricted

268,483

Total Liabilities and Net Assets

\$ 278,256

See accompanying notes to financial statements.

Guernsey Industries
Statement of Activities
For the Year Ended December 31, 2008

Revenues	
Sales	\$ 364,334
Interest Earned	3,491
Contributions	1,020
In-Kind Contribution	216,013
	216,013
<i>Total Unrestricted Revenues</i>	584,858
Less: Direct Materials and Supplies	158,927
	158,927
<i>Total Revenues</i>	425,931
Operating Expenses	
Wages	151,706
Depreciation	11,988
Insurance	3,322
Employee Welfare	6,425
Professional Fees	5,025
supplies	157
Repairs and Maintenance	7,439
Office Supplies and Postage	5,033
Utilities	2,020
Advertising	75
License and Fees	2,598
Fuel	10,239
Donations	931
Miscellaneous	1,216
Payroll Taxes	19,360
In-Kind Contribution	216,013
	216,013
<i>Total Expenses</i>	443,547
<i>Change in Net Assets</i>	(17,616)
<i>Net Assets Beginning of Year</i>	286,099
<i>Net Assets End of Year</i>	\$ 268,483

See accompanying notes to financial statements.

GUERNSEY COUNTY, OHIO
Notes to the Modified Cash Financial Statements
For the Year Ended December 31, 2008

NOTE 1: REPORTING ENTITY

Guernsey County (the “County”) is a body politic and corporate established in 1810 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The County is comprised of nineteen townships, one city, and ten villages. The County is governed by a board of three commissioners elected by the voters of the County. Other officials elected by the voters of the County who manage various segments of the County’s operations are the County Auditor, County Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, County Municipal Court Judge, Common Pleas Judge (also 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 entire County.

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

A. Primary Government

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

B. Component Units

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

GUERNSEY COUNTY, OHIO
Notes to the Modified Cash Financial Statements
For the Year Ended December 31, 2008

NOTE 1: REPORTING ENTITY (Continued)

The component unit column in the financial statements identifies the financial data of the County's governmental component unit, the Guernsey County Port Authority. The Guernsey County Port Authority component unit is discretely presented in separate columns to emphasize that it is legally separate from the County. The Guernsey County Port Authority component unit note disclosures can be found in Note 20.

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

Guernsey County Port Authority

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

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 the workshop's sole purpose of providing assistance to the retarded and handicapped adults of Guernsey County, the workshop is presented as a component unit of Guernsey County. Separately issued financial statements can be obtained from Guernsey Industries, Byesville, Ohio.

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

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

GUERNSEY COUNTY, OHIO
Notes to the Modified Cash Financial Statements
For the Year Ended December 31, 2008

NOTE 1: REPORTING ENTITY (Continued)

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 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 collect monies paid by the courts for payment to the board of trustees of the Law Library.

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

- Southeastern Ohio Joint Solid Waste Management District
- Guernsey-Monroe-Noble Community Action Corporation (GMN)
- Southeast Ohio Juvenile Rehabilitation District (SEOJRD)
- Guernsey County Family Service Council
- Mental Health and Recovery Services Board
- South Eastern Narcotics Team (SENT)
- Mid-East Ohio Regional Council of Governments (MEORC)
- Ohio Mid-Eastern Governments Association (OMEGA)
- Cambridge-Guernsey County Visitors and Convention Bureau
- The Area Office on Aging
- Eastern Ohio Correctional Center (EOCC)
- Southeast Area Transit (SAT)

GUERNSEY COUNTY, OHIO
Notes to the Modified Cash Financial Statements
For the Year Ended December 31, 2008

NOTE 1: REPORTING ENTITY (Continued)

- Guernsey County Convention Facilities Authority
- Cambridge Metropolitan Housing Authority
- 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 Service Corporation (CCAOSC)

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-Wide Financial Statements

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

GUERNSEY COUNTY, OHIO
Notes to the Modified Cash Financial Statements
For the Year Ended December 31, 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of net assets presents the cash balance of the governmental and business-type activities of the County at year end. The statement of activities compares disbursements and program receipts for each program or function of the County's governmental activities and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the County is responsible. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program.

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

Fund Financial Statements

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

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

B. Fund Accounting

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

Governmental Funds

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

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

GUERNSEY COUNTY, OHIO
Notes to the Modified Cash Financial Statements
For the Year Ended December 31, 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Mental Retardation and Development Disabilities (MRDD) – The Mental Retardation and Development Disabilities Fund accounts for the operation of a school and the costs of administering a workshop for the mentally retarded and developmentally disabled residents of the County. Receipt sources are federal and state grant monies and a county-wide property tax levy.

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

Proprietary Funds

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

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

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

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

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

GUERNSEY COUNTY, OHIO
Notes to the Modified Cash Financial Statements
For the Year Ended December 31, 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds

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

C. Basis of Accounting

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

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

D. Budgetary Process

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

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

GUERNSEY COUNTY, OHIO
Notes to the Modified Cash Financial Statements
For the Year Ended December 31, 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

E. Cash and Investments

To improve cash management, cash received by the County, except cash held by a fiscal agent, is pooled and invested. Individual fund integrity is maintained through County records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents.”

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

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

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

During 2008, the County invested in STAROhio, federal agency securities, county boards, and non-negotiable certificates of deposit. Investments are reported at cost, except for STAROhio. STAROhio is an investment pool, managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio’s share price, which is the price the investment could be sold for on December 31, 2008.

Interest earnings are allocated to County funds according to state statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2008 were \$773,314, which includes \$740,161 assigned from other County funds.

F. Restricted Assets

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

G. Inventory and Prepaid Items

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

GUERNSEY COUNTY, OHIO
Notes to the Modified Cash Financial Statements
For the Year Ended December 31, 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets

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

I. Interfund Receivables/Payables

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

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Plans

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

L. Interfund Activity

Transfers within governmental activities on the government-wide statements are reported in the same manner as general receipts. Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

M. Long-Term Obligations

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

GUERNSEY COUNTY, OHIO
Notes to the Modified Cash Financial Statements
For the Year Ended December 31, 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes primarily include activities involving the upkeep of the County's roads and bridges, various mental health services, child support and welfare services, services for the handicapped and mentally retarded, and activities of the County's courts. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available. The government-wide statement of net assets reports \$16,321,501 of restricted net assets, of which none is restricted by enabling legislation.

O. Fund Balance Reserves

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

P. Interfund Transactions

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

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

NOTE 3: RESTATEMENT OF NET ASSETS

In 2008 the trust fund net assets were restated to include the cash balance of the children's services private-purpose trust fund that had not been reported in prior years. As a result, net assets have been restated as follows:

	<u>Private-Purpose Trust</u>
Previously Reported Net Assets at December 31, 2007	\$ 0
Cash and Cash Equivalents	<u>80,929</u>
Restated Net Assets at January 1, 2008	<u>\$ 80,929</u>

GUERNSEY COUNTY, OHIO
Notes to the Modified Cash Financial Statements
For the Year Ended December 31, 2008

NOTE 4: COMPLIANCE

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

NOTE 5: BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Cash Receipts, Disbursements and Change in Cash Basis Fund Balance – (Budget Basis) for the General Fund and each major special revenue fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budgetary basis and the modified cash basis are as follows:

1. Outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis).
2. Unrecorded cash and unrecorded interest are reported on the balance sheet (modified cash basis) but not on the budgetary basis.
3. Cash that is held by the agency funds on behalf of County funds on a budget basis are allocated and reported on the balance sheet (modified cash basis) in the appropriate County fund.

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

	<u>General</u>	<u>Public Assistance</u>	<u>MVGT</u>	<u>MRDD</u>
Modified Cash Basis	\$ (348,025)	\$ 101,332	\$ (62,349)	\$ 234,767
Beginning of Year:				
Agency Fund Cash Allocation	78,266	0	0	180,614
Unrecorded Cash	5,724	254,032	3,840	0
End of Year:				
Agency Fund Cash Allocation	(68,810)	0	0	(158,795)
Unrecorded Cash	(1,195)	0	(292)	0
Encumbrances	<u>(29,110)</u>	<u>0</u>	<u>(37,780)</u>	<u>0</u>
 Budget Basis	 <u><u>\$ (363,150)</u></u>	 <u><u>\$ 355,364</u></u>	 <u><u>\$ (96,581)</u></u>	 <u><u>\$ 256,586</u></u>

GUERNSEY COUNTY, OHIO
Notes to the Modified Cash Financial Statements
For the Year Ended December 31, 2008

NOTE 6: DEPOSITS AND INVESTMENTS

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

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

Deposits held by the County which are not considered active, are classified as inactive. Beginning June 15, 2004, inactive monies may be deposited or invested in the following securities provided the County has filed a written investment policy with the Ohio Auditor of State:

1. United States Treasury Bills, Bonds, Notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States, or any book entry, zero-coupon United States treasury security that is a direct obligation of the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, 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 governmental agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above, and repurchase agreements secured by such obligations, provided that these investments are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio);

GUERNSEY COUNTY, OHIO
Notes to the Modified Cash Financial Statements
For the Year Ended December 31, 2008

NOTE 6: DEPOSITS AND INVESTMENTS (Continued)

8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange either securities or cash, equal value for equal value;
9. Commercial paper notes, corporate notes and bankers' acceptances; and
10. Debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government.

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

Cash on Hand

At year end, the County had no amounts of undeposited cash on hand, which would have been included on the financial statements of the County as part of "Equity in Pooled Cash and Cash Equivalents."

Deposits

Custodial Credit Risk Custodial Credit Risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, \$1,629,822 of the County's bank balance of \$2,082,516 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had not been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

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

GUERNSEY COUNTY, OHIO
Notes to the Modified Cash Financial Statements
For the Year Ended December 31, 2008

NOTE 6: DEPOSITS AND INVESTMENTS (Continued)

At December 31, 2008, the County's MRDD special revenue fund had a cash balance of \$1,757,083 with MEORC, a jointly governed organization (See Note 16). The money is held by MEORC in a pooled account which is representative of numerous entities and therefore cannot be classified by risk under GASB Statement 3. The classification of cash and cash equivalents and investments for MEORC as a whole may be obtained from their audit report. To obtain information, write to Mid East Ohio Regional Council, Cathy Henthorn, who serves as Associate Director of Business, 160 Columbus Road, Mt. Vernon, Ohio 43050.

Investments

At December 31, 2008, the County had the following investments. All investments are in an internal investment pool.

	<u>Fair Value</u>	<u>Maturity</u>	<u>Percent of Total Investment</u>	<u>Rating</u>	<u>Rating Agency</u>
Guernsey County General					
Obligation Bonds	\$ 232,792	12/1/2020	1.3%	N/A	N/A
STAROhio	62,534	41 days	0.3%	AAAm	S&P
First American Governmental					
Obligation	2,295,613	Immediately	12.7%	AAA	Moody's
Negotiable CD's	172,005	1/16/09 - 10/9/2012	1.0%	N/A	N/A
Federal Hom Loan Mortgage	200,836		1.1%	AAA	Moody's
Federal Home Loan Mortgage					
Corporation Notes	5,266,283	2/5/09 - 5/1/2013	29.1%	AAA	Moody's
Federal Home Loan Bank Bonds	5,489,885	4/7/09 - 1/9/2014	30.4%	AAA	Moody's
Federal Farm Credit Bank Bonds	1,494,313	9/28/2009 - 12/24/2012	8.3%	AAA	Moody's
Federal National Mortgage					
Association Notes	<u>2,863,482</u>	<u>2/20/2009 - 3/19/2013</u>	<u>15.8%</u>	AAA	Moody's
Total Investments	<u>\$ 18,077,743</u>		<u>100%</u>		

Interest Rate Risk The County has no investment policy that addresses interest rate risk beyond the requirements of State statute. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the County, and that an investment must be purchased with the expectation that it will be held to maturity. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk The County has no investment policy that addresses credit risk beyond the requirements of State statute. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of the purchase by at least one nationally recognized standard rating service.

GUERNSEY COUNTY, OHIO
Notes to the Modified Cash Financial Statements
For the Year Ended December 31, 2008

NOTE 6: DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has no investment policy dealing with investment custodial credit risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

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

NOTE 7: PERMISSIVE SALES AND USE TAX

On February 27, 1989, the County Commissioners adopted a resolution which imposed a one quarter of one percent Permissive Sales Tax (Piggy Back Tax). The sales tax came into effect on April 1, 1992, and expired on April 1, 1993. This sales tax was renewed for two consecutive one-year terms and expired on April 1, 1995. On August 1, 1993, the County Commissioners adopted a resolution which imposed an additional one-quarter of one percent Permissive Sales Tax bringing the total Permissive Sales Tax to one-half of one percent. On February 22, 1995, the County Commissioners adopted a resolution to combine the two one-quarter of one percent Permissive Sales Taxes to a one-half of one percent tax. On January 19, 2005, the County Commissioners passed a resolution making the sales tax permanent. The revenues generated from the sales tax are used for the purpose of providing additional revenue for the County's General Fund and Bond Retirement Debt Service 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.

NOTE 8: 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 2008 for real and public utility property taxes represents collections of 2007 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) are for 2008 taxes.

2008 real property taxes are levied after October 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values are established by State statute at 35 percent of appraised market value. 2008 real property taxes are collected in and intended to finance 2008.

GUERNSEY COUNTY, OHIO
Notes to the Modified Cash Financial Statements
For the Year Ended December 31, 2008

NOTE 8: PROPERTY TAXES (Continued)

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2008, on the value as of December 31, 2007. For 2008, tangible personal property is assessed at 6.25 percent for property including inventory. This percentage will be reduced to zero for 2009. Payments 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 by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the City due to the phasing out of the tax. In calendar years 2006-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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, the first payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected. The collection and distribution of taxes for all subdivisions within the County, excluding the County itself, is accounted for through agency funds. The amount of the County's tax collections is accounted for within the applicable funds.

The full tax rate for all County operations for the year ended December 31, 2008, was \$12.70 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2008 property tax receipts were based are as follows:

Real property	\$ 531,710,720
Tangible personal property	3,025,100
Public utility personal property	<u>44,805,720</u>
Total assessed property value	<u>\$ 579,541,540</u>

GUERNSEY COUNTY, OHIO
Notes to the Modified Cash Financial Statements
For the Year Ended December 31, 2008

NOTE 9: RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; employee injuries, and natural disasters. By contracting with the County Risk Sharing Authority (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. Each of these areas contains a \$2,500 member deductible amount. Property damage is covered for \$63,853,631, equipment breakdown coverage is covered for \$100,000,000 and crime insurance is covered for \$1,000,000 for each occurrence.

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, \$250,000 for unintentional omissions, \$100,000,000 for flood and earthquake damage, and \$1,000,000 debris removal.

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 four 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.

For 2008, the County participated in the County Commissioners Association of Ohio Service Corporation Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. (See Note 18) The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings that accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. For the County, An additional cost of \$95,470 was charged for 2008. Participation in the Plan is limited to counties that can meet the Plan's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control, and actuarial services to the Plan. Each year, the County pays an enrollment fee to the Plan to cover the costs of administering the program.

GUERNSEY COUNTY, OHIO
*Notes to the Modified Cash Financial Statements
For the Year Ended December 31, 2008*

NOTE 9: RISK MANAGEMENT (Continued)

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

NOTE 10: DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description - The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety division exist only within the traditional pension 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 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2008, members in state and local classification contributed 10 percent of covered payroll, public safety members and law enforcement members contributed 10.1 percent.

The County's contribution rate for 2008 was 14 percent, except for those plan members in law enforcement or public safety, for whom the County's contribution was 17.4 percent of covered payroll. For 2008, a portion of the County's contribution equal to 7.0 percent of covered payroll was allocated to fund the post-employment health care plan. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the County of 14 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The County's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 were \$932,875, \$902,317 and \$1,061,198, respectively. The full amount has been contributed for 2008, 2007 and 2006. Contributions to the member-directed plan for 2008 were \$14,335 made by the County and \$20,478 made by plan members.

GUERNSEY COUNTY, OHIO
Notes to the Modified Cash Financial Statements
For the Year Ended December 31, 2008

NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

Plan Description – Certified teachers, employed by the school for 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 administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service or an allowance based on 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. 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.

Funding Policy – For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007 (the latest information available), the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2008, 2007, and 2006 were \$14,833, \$14,279 and \$12,777, respectively. The full amount has been contributed for fiscal year 2008, 2007 and 2006. For fiscal year 2008, the County did not have any employees participating in either the DC or Combined Plans.

GUERNSEY COUNTY, OHIO
Notes to the Modified Cash Financial Statements
For the Year Ended December 31, 2008

NOTE 11: POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Plan Description – OPERS maintains a cost sharing multiple employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

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

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008, local government employers contributed 14 percent of covered payroll (17.4 percent for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment health care was 7.0 percent of covered payroll for 2008.

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

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2008, 2007, and 2006 were \$918,540, \$594,341 and \$519,064, respectively; the full amounts have been contributed for 2008, 2007 and 2006.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

GUERNSEY COUNTY, OHIO
Notes to the Modified Cash Financial Statements
For the Year Ended December 31, 2008

NOTE 11: POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System

Plan Description – The County provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (“STRS Ohio”). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. STRS Ohio is on a pay-as-you-go basis.

Funding Policy – All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2008, 2007 and 2006. The County’s contributions for fiscal years ended June 30, 2008, 2007 and 2006 were \$1,141, \$1,098 and \$983, respectively.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2008 (the latest information available), the balance in the Fund was \$3.7 billion. For the fiscal year ended June 30, 2008, net health care costs paid by STRS Ohio were \$288,878,000 and STRS Ohio had 126,506 eligible benefit recipients.

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GUERNSEY COUNTY, OHIO
Notes to the Modified Cash Financial Statements
For the Year Ended December 31, 2008

NOTE 12: DEBT

The County's debt activity for the year ended December 31, 2008 was as follows:

	Outstanding 12/31/2007	Additions	Reductions	Outstanding 12/31/2008	Amounts Due Within One Year
Governmental Activities:					
<i>Special Assessment Bonds:</i>					
Rolling Hills Paving - 1988. \$202,900, 6.375%	\$ 17,100	\$ 0	\$ (17,100)	\$ 0	\$ 0
Rolling Hills Paving II- 1988. \$76,100, 6.375%	1,292	0	(1,292)	0	0
Stop Nine Sanitary Sewer - 1993. \$559,200, 5%	49,900	0	(1,000)	48,900	1,000
Sundew and Zane Waterline - 1996. \$84,000, 4.95%	52,138	0	(4,351)	47,787	4,567
Cedar Hills Sewer - 1996. \$171,785, 4.95%	91,743	0	(9,641)	82,102	10,118
Eastmoor Sanitary Sewer - 1998. \$186,000, 4.5%	122,400	0	(8,900)	113,500	9,200
Wolf's Den Road Waterline - 2000. \$63,880, 6%	41,522	0	(3,194)	38,328	3,194
State Route 313 Sewer-2006, \$200,000, 4.20-5.25%	195,000	0	(5,000)	190,000	5,000
<i>Total Special Assessment Bonds</i>	<u>571,095</u>	<u>0</u>	<u>(50,478)</u>	<u>520,617</u>	<u>33,079</u>
<i>General Obligation Bonds:</i>					
Rolling Hills Paving II- 1988. \$76,100, 6.375%	5,108	0	(5,108)	0	0
Various Purpose Refunding and Improvement Serial Bonds - 2003 2.000%-5.00% - \$7,260,000	4,335,000	0	(630,000)	3,705,000	525,000
Various Purpose Refunding and Improvement Term Bonds - 2003 2.000%-5.00% - \$3,825,000	3,825,000	0	0	3,825,000	0
Public Improvement - 1996, \$124,959, 4.95%	76,118	0	(6,008)	70,110	5,315
Engineer's Garage Bond - 2008 \$205,000 - 3.89%	0	205,000	0	205,000	41,000
<i>Total General Obligation Bonds</i>	<u>8,241,226</u>	<u>205,000</u>	<u>(641,116)</u>	<u>7,805,110</u>	<u>571,315</u>
<i>Long-Term Notes:</i>					
Engineers Garage Bond Anticipation Note, Series 2007, \$255,000, 4.5%	255,000	0	(255,000)	0	0
Ohio State University Extension Building, Series 2006, \$100,000, 5.5%	200,000	0	(5,535)	194,465	5,859
<i>Total Long-Term Notes</i>	<u>455,000</u>	<u>0</u>	<u>(260,535)</u>	<u>194,465</u>	<u>5,859</u>
<i>OPWC Loans:</i>					
OPWC Loan - 1999, \$30,670, 0%	3,067	0	(1,534)	1,533	1,533
OPWC Loan - 2000, \$60,200, 0%	16,583	0	(3,010)	13,573	6,020
<i>Total OPWC Loans</i>	<u>19,650</u>	<u>0</u>	<u>(4,544)</u>	<u>15,106</u>	<u>7,553</u>
<i>Total Governmental Activities</i>	<u>\$9,286,971</u>	<u>\$ 205,000</u>	<u>\$ (956,673)</u>	<u>\$8,535,298</u>	<u>\$ 617,806</u>

GUERNSEY COUNTY, OHIO
Notes to the Modified Cash Financial Statements
For the Year Ended December 31, 2008

NOTE 12: DEBT (Continued)

	Outstanding 12/31/2007	Additions	Reductions	Outstanding 12/31/2008	Amounts Due Within One Year
Business-Type Activities:					
<i>General Obligation Bonds:</i>					
Kimbolton Waterline - 1992, \$142,000, 5.75%	\$ 98,500	\$ 0	\$ (2,300)	\$ 96,200	\$ 2,400
North Salem Waterline - 1994, \$450,000, 5%	349,600	0	(8,000)	341,600	8,300
Route 40 East Waterline - 2008, \$2,839,000, 4.42%	0	2,839,000	(46,605)	2,792,395	58,956
<i>Total General Obligation Bonds</i>	<u>448,100</u>	<u>2,839,000</u>	<u>(56,905)</u>	<u>3,230,195</u>	<u>69,656</u>
<i>OWDA Loans:</i>					
Water Fund OWDA - 1989, \$1,444,319, 7.8%	197,899	0	(130,291)	67,608	67,608
Water Fund OWDA - 2006, \$577,793, 2%	119,635	145,266	(24,234)	240,667	19,639
Water Fund OWDA - 2006, \$111,000, sub-account	111,000	0	0	111,000	0
Sewer Fund OWDA - 2007, \$513,101, 4.67%	490,841	22,260	(24,140)	488,961	0
<i>Total General Obligation Bonds</i>	<u>919,375</u>	<u>167,526</u>	<u>(178,665)</u>	<u>908,236</u>	<u>87,247</u>
<i>Total Business-Type Activities</i>	<u>\$1,367,475</u>	<u>\$3,006,526</u>	<u>\$ (235,570)</u>	<u>\$4,138,431</u>	<u>\$ 156,903</u>

Governmental Activities

Special Assessment Bonds – As of December 31, 2008, the County has \$520,617 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. During 2008 and 2007, the County did not enter into any new special assessment bonds. During 2006, the County entered into special assessment bonds in the amount of \$200,000 for the State Route 313 sewer project. The State Route 313 sewer project bonds were issued with a discount of \$4,200. Principal and interest requirements to retire the special assessment bonds outstanding at December 31, 2008 are as follows:

Year Ending December 31	Principal	Interest	Total
2009	\$ 33,079	\$ 25,440	\$ 58,519
2010	34,406	23,834	58,240
2011	35,568	22,167	57,735
2012	41,869	20,438	62,307
2013	43,209	18,428	61,637
2014-2018	185,098	61,647	246,745
2019-2023	75,588	30,650	106,238
2024-2028	56,800	10,295	67,095
2029-2033	15,000	2,330	17,330
Totals	<u>\$ 520,617</u>	<u>\$ 215,229</u>	<u>\$ 735,846</u>

General Obligation Bonds – As of December 31, 2008, the County has \$7,805,110 in general obligation bonded debt outstanding that is being retired by the Bond Retirement Debt Service Fund. During 2008, the County entered into any new general obligation bonds for the construction and furnishing a building to house road machinery, supplies and personnel (Engineer’s Garage). The bonds were issued for a 5 year period with final maturity at February 1, 2013. The bonds were issued at an interest rate of 3.89 %.

GUERNSEY COUNTY, OHIO
Notes to the Modified Cash Financial Statements
For the Year Ended December 31, 2008

NOTE 12: DEBT (Continued)

On November 20, 1996, the County entered into \$124,959 of general obligation bonds. The bonds were issued for a 20 year period with final maturity at December 1, 2016.

On January 31, 2008, the County issued bonds in the amount of \$205,000. The bonds were issued to repay \$255,000 Engineer's Garage note outstanding at February 7, 2007. The bonds were issued for a five year period with final maturity at February 1, 2013. The bond was entered into with a issuance cost of \$4,525.

On April 15, 2003, the County entered into \$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.

The bonds are being retired from property and sales 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	2025	225,000
2021	460,000	2027	235,000
2022	480,000		
Total	\$ 2,185,000	Total	\$ 885,000

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 Modified Cash Financial Statements
For the Year Ended December 31, 2008

NOTE 12: DEBT (Continued)

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, 2008 are as follows:

Year Ending December 31	Principal	Interest
2009	\$ 571,315	\$ 343,878
2010	595,589	326,248
2011	619,826	299,677
2012	364,025	276,329
2013	373,185	262,620
2014-2018	1,851,170	1,087,750
2019-2023	2,295,000	610,878
2024-2028	1,135,000	157,728
Totals	\$ 7,805,110	\$ 3,365,108

Long-Term Notes – On October 29, 2007, the County entered into \$200,000 in a long-term note that was used to construct an office building for the Ohio State University Extension Services. This bond anticipation note is backed by the full faith and credit of the County. The note will be retired from the issuance of bonds. This bond anticipation note matures on November 1, 2017 along with interest payable at 5.75% of the principal amount.

OPWC Loans – As of December 31, 2008, the County has \$15,106 in Ohio Public Works Commission loans outstanding. These loans were entered into for bridge replacement and various road paving projects within the County and will be repaid from the Bond Retirement Debt Service Fund. These loans are interest free. Principal requirements to retire the OPWC loans outstanding at December 31, 2008 are as follows:

Year Ending December 31	Principal
2009	\$ 7,553
2010	7,553
Totals	\$ 15,106

Business-Type Activities:

General Obligation Bonds – As of December 31, 2008, the County has \$3,230,195 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.

GUERNSEY COUNTY, OHIO
Notes to the Modified Cash Financial Statements
For the Year Ended December 31, 2008

NOTE 12: DEBT (Continued)

Principal requirements to retire the general obligation bonds outstanding at December 31, 2008 are as follows:

Year Ending December 31	Principal	Interest
2009	\$ 69,656	\$ 150,654
2010	72,893	147,466
2011	76,245	144,129
2012	79,721	140,638
2013	83,325	136,988
2014-2018	477,807	624,037
2019-2023	597,619	504,022
2024-2028	747,881	353,778
2029-2033	849,150	165,529
2034	175,898	8,394
Totals	<u>\$ 3,230,195</u>	<u>\$ 2,375,635</u>

Ohio Water Development Authority (OWDA) Loans – Water Enterprise Fund

The County has pledged future customer revenues, net of specified operating expenses, to repay \$2,133,112 in OWDA loans issued from 1989 to 2006. Proceeds from these loans provided financing for various water and wastewater projects. The loans are payable solely from customer net revenues and are payable through 2036. Net revenues include all revenues received by the water utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the loans are expected to require less than 9.6 percent of net revenues. The total principal and interest remaining to be paid on the loans is \$453,413. Principal and interest payments for the current year were \$179,338, net revenues were \$1,146,150 and total revenues were \$1,860,705. Principal and interest requirements to retire the Water Enterprise Fund OWDA loans outstanding at December 31, 2008 are as follows:

Year Ending December 31	Principal	Interest
2009	\$ 87,247	\$ 10,057
2010	20,034	4,321
2011	20,436	3,918
2012	20,847	3,507
2013	21,266	3,088
2014-2018	112,917	8,856
2019-2023	25,528	391
2024-2028	111,000	0
Totals	<u>\$ 419,275</u>	<u>\$ 34,138</u>

GUERNSEY COUNTY, OHIO
Notes to the Modified Cash Financial Statements
For the Year Ended December 31, 2008

NOTE 12: DEBT (Continued)

Ohio Water Development Authority (OWDA) Loans – Sewer Enterprise Fund

The County has pledged future customer revenues, net of specified operating expenses, to repay a \$513,101 OWDA loan issued in 2007. Proceeds from this loan provided financing for various sewer projects. The loan is payable solely from customer net revenues and is payable through 2013. Net revenues include all revenues received by the water utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the loan is expected to require less than 100 percent of net revenues in future years; however, in 2008, principal and interest payments exceeded net revenues. The total principal remaining to be paid on the loan is \$488,961. The County is still currently drawing down monies from the loan therefore the total interest amount has not been calculated. 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 payments for the current year were \$46,400, net revenues were (\$24,907) and total revenues were \$223,587.

The Ohio Revised Code provides that net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 1 percent of the total assessed valuation of the County. The Ohio Revised Code further provides that total voted and un-voted net debt of the County less the same exempt debt shall never exceed a sum equal to 3 percent of the first \$100,000,000 of assessed valuation, plus 1.5 percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus 2.5 percent of such valuation in excess of \$300,000,000.

NOTE 13: INTERFUND TRANSFERS AND ADVANCES

During 2008 the following transfers were made:

	<u>Transfer In</u>	<u>Transfers Out</u>			<u>Total</u>
		<u>General</u>	<u>Motor Vehicle and Gas Tax</u>	<u>Other Non-Major Governmental</u>	
Major Funds:					
General	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Public Assistance	168,773	0	0	0	168,773
Motor Vehicle & Gas Tax	24,699	0	0	0	24,699
Nonmajor Funds:					
Other Nonmajor Governmental	433,824	65,468	121,044		620,336
Total Governmental	<u>\$ 627,296</u>	<u>\$ 65,468</u>	<u>\$ 121,044</u>		<u>\$ 813,808</u>
Business Type:					
Water Enterprise	17,597	0	1,551		19,148
Sewer Enterprise	24,140	0	11,190		35,330
Total Business-Type	<u>\$ 41,737</u>	<u>\$ 0</u>	<u>\$ 12,741</u>		<u>\$ 54,478</u>
Total Transfers Out		<u>\$ 669,033</u>	<u>\$ 65,468</u>	<u>\$ 133,785</u>	<u>\$ 868,286</u>

GUERNSEY COUNTY, OHIO
Notes to the Modified Cash Financial Statements
For the Year Ended December 31, 2008

NOTE 13: INTERFUND TRANSFERS AND ADVANCES

Transfers were used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; to move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; to move monies to the General Fund as pursuant to Ohio Revised Code 325.33; to move monies to the General Fund as approved by the common pleas court, and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

During 2008, the County made two advances. The County advanced \$1,000 from the Emergency Management Special Revenue Fund to the General Fund. The County also advanced \$52,968 from the Northeast Guernsey County Waterline Phase II Project Water Fund to the County Facilities Construction and Improvement Capital Projects Fund. Both were repayments of 2007 advances.

NOTE 14: FEDERAL FOOD STAMP PROGRAM

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

NOTE 15: CONTRACTUAL COMMITMENTS

As of December 31, 2008 the City had contractual commitments for the following projects:

	<u>Fund</u>	<u>Contractual Commitment</u>	<u>Expended</u>	<u>Balance 12/31/2008</u>
Waterline Improvements	Route 40 East			
	waterline construction	\$ 1,306,656	\$ 131,836	\$ 1,174,820
Tax Year 2009 Reappraisal	Real estate assessment	488,130	0	488,130
Bridge CR 341 & 616	Road & Bridge/MVGT Funds	133,177	10,885	122,292
Bridge 5425, 4581, CR44	Road & Bridge/MVGT Funds	198,750	0	198,750
Resurfacing Project CR 343 CR 86	Road & Bridge/MVGT Funds	176,115	0	176,115
Total		<u>\$ 2,302,828</u>	<u>\$ 142,721</u>	<u>\$ 2,160,107</u>

NOTE 16: JOINTLY GOVERNED ORGANIZATIONS

A. Southeastern Ohio Joint Solid Waste Management District

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

The District is governed and operated through three groups. An eighteen member board of directors, comprised of three commissioners from each county, is responsible for the District's financial matters. 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 2008. No future contributions by the County are anticipated. A thirty-one member policy committee comprised of five members from each county and one at-large member appointed by the policy committee, is responsible for preparing the solid waste management plan of the District in conjunction with a Technical Advisory Council whose members are appointed by the policy committee. Continued existence of the District is not dependent on the County's continued participation, no equity interest exists, and no debt is outstanding.

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

The Guernsey-Monroe-Noble Community Action Corporation (GMN) is a non-profit organization formed to plan, conduct, and coordinate programs designed to combat social and economic problems and to help eliminate conditions of poverty within Guernsey, Monroe, and Noble Counties. The agency is governed by an eighteen member board which consists of three commissioners from each county, three business owners from each county, and three low income individuals elected by each county. The three business owners are nominated by other local business owners and the three low income individuals are nominated by local town council meetings. The agency receives federal and state monies which are applied for and received by, and in the name of, the Board of Directors. Continued existence of the Community Action Agency is not dependent upon the County's continued participation, nor does the County have an equity interest in the agency. The agency is not accumulating significant financial resources and is not experiencing fiscal distress that may cause an additional financial benefit to or burden on the County. During 2008, the County made no contributions to the Guernsey-Monroe-Noble Community Action Corporation.

C. Southeast Ohio Juvenile Rehabilitation District (SEOJRD)

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

GUERNSEY COUNTY, OHIO
Notes to the Modified Cash Financial Statements
For the Year Ended December 31, 2008

NOTE 16: JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 2008, the County made no contributions to SEOJRD.

D. Guernsey County Family Service Council

The Guernsey County Family Service Council (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 2008, the County made a \$6,000 in-kind contribution to the Council. Continued existence of the Council is not dependent on the County's continued participation, no equity interest exists, and no debt is outstanding.

E. Mental Health and Recovery Services Board

The Mental Health and Recovery Services Board (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 2008, 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.

NOTE 16: JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 2008, Guernsey County made no contributions to SENT.

G. Mid-East Ohio Regional Council of Governments (MEORC)

The Mid-East 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. MEORC 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 MEORC is not dependent on the County's continued participation. The County has no equity interest in, or financial responsibility for the MEORC. MEORC has no outstanding debt. During 2008, Guernsey County made no contribution to MEORC.

H. Ohio Mid-Eastern Governments Association (OMEGA)

Ohio Mid-Eastern Governments Association (OMEGA) is organized as an agency of the local governments by agreement among the membership. OMEGA is comprised of Belmont, Carroll, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Tuscarawas, and Columbiana Counties and other political subdivisions in the counties. OMEGA was formed to aid and assist the participating counties in the application for Appalachian Regional Commission and Economic Development grant monies. OMEGA's governing board is comprised of a total of three members from each county which appoints an executive board consisting of one person from each member county to supervise the administrative functions of OMEGA. The executive board elects officers, appoints an executive director and its own fiscal officer. The Board exercises total control, including budgeting, appropriating, contracting, and designating management. The continued existence of OMEGA is not dependent on the County's continued participation. The County has no equity interest in, or financial responsibility for the OMEGA. OMEGA has no outstanding debt. During 2008, the County made no contribution to OMEGA.

GUERNSEY COUNTY, OHIO
Notes to the Modified Cash Financial Statements
For the Year Ended December 31, 2008

NOTE 16: JOINTLY GOVERNED ORGANIZATIONS (Continued)

I. Cambridge-Guernsey County Visitors and Convention Bureau (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 2008, the County made a contribution of \$9,000 to the Cambridge Guernsey County Visitors and Convention Bureau.

J. The Area Office on Aging

The Area Office on Aging (Council) 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 2008, the County made no contributions to the Area Office on Aging.

K. Eastern Ohio Correctional Center (EOCC)

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 2008, 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.

NOTE 16: JOINTLY GOVERNED ORGANIZATIONS (Continued)

L. Southeast Area Transit (SAT)

The Southeast Area Transit (SAT) was created pursuant to state statute in 1979. SAT formulates general policy for the operation of the Regional Transit Authority. Other duties of SAT include determining routes and fares, formulate operating procedures, promote and maintain community awareness, and appoint and remove the General Manager and Secretary/Treasurer. SAT is limited to a ten member board comprised of six individuals appointed by the Mayor of Zanesville, two people appointed by Muskingum County Commissioners, one individual appointed by the Mayor of South Zanesville, and one person appointed by the Guernsey County Commissioners. In 2008, Guernsey County contributed \$10,000. 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 17: RELATED ORGANIZATIONS

A. Guernsey County Convention Facilities Authority

The Guernsey County Convention Facilities Authority (Authority) 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 Authority 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 Authority by state law. During 2008, the County made no contributions to the Guernsey County Convention Facilities Authority.

B. Cambridge Metropolitan Housing Authority

The Cambridge Metropolitan Housing Authority (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 2008, the County made no contributions to the Cambridge Metropolitan Housing Authority.

GUERNSEY COUNTY, OHIO
Notes to the Modified Cash Financial Statements
For the Year Ended December 31, 2008

NOTE 17: RELATED ORGANIZATIONS (Continued)

C. Guernsey County Park District

The Guernsey County Park District (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 2008, the County made a contribution of \$13,350 to the Park District.

D. Guernsey County Airport Authority

The Guernsey Airport Authority (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 2008, the County contributed \$37,000 to the Airport Authority.

NOTE 18: PUBLIC ENTITY RISK POOLS

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

The County Risk Sharing Authority, Inc. (CORSA) is a jointly governed organization among thirty-nine counties in Ohio. CORSA was formed as an Ohio not-for-profit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverage provided by CORSA.

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of CORSA are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the Board of Trustees. No county may have more than one representative on the Board of Trustees at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the Board of Trustees.

B. County Commissioners Association of Ohio Service Corporation (CCAOSC)

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

GUERNSEY COUNTY, OHIO
Notes to the Modified Cash Financial Statements
For the Year Ended December 31, 2008

NOTE 18: PUBLIC ENTITY RISK POOLS (Continued)

A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services and general management fees, determining ongoing eligibility of each participant, and performing any other acts and functions which may be delegated to it by the participants.

The group executive committee consists of nine members. Two members are the president and treasurer of CCAOSC; the remaining seven members are representatives of the participants. These seven members are elected for the ensuing year by the participants at a meeting held in December of each year. No participant can have more than one member on the group executive committee in any year, and each elected member shall be a county commissioner.

NOTE 19: CONTINGENT LIABILITIES

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

NOTE 20: GUERNSEY COUNTY PORT AUTHORITY

A. Summary of Significant Accounting Policies

Description of the Entity

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

The Authority is a component unit of Guernsey County since the members of the Authority's Board of Directors is appointed by the Guernsey County Commissioners and the Authority is economically dependent of the County for financial support. The Guernsey County Commissioners did not contribute in 2008.

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

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

GUERNSEY COUNTY, OHIO
Notes to the Modified Cash Financial Statements
For the Year Ended December 31, 2008

NOTE 20: GUERNSEY COUNTY PORT AUTHORITY (Continued)

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).

Cash and Investments

All cash is maintained in a pooled interest-bearing checking account.

Property, Plant and Equipment

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

Budgetary Process

The Ohio Revised Code 5482.39 requires the Authority to budget annually. According to the by-laws, the budget for the next calendar year will be presented for approval at the January board meeting.

A summary of 2008 budgetary activity appears in Note 20C.

B. Equity in Pooled Cash

The Authority maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was \$179,462.

Deposits are either (1) insured by the Federal Deposit Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the Authority, or (3) collateralized by the financial institution's public entity deposit pool.

GUERNSEY COUNTY, OHIO
Notes to the Modified Cash Financial Statements
For the Year Ended December 31, 2008

NOTE 20: GUERNSEY COUNTY PORT AUTHORITY (Continued)

C. Budgetary Activity

Budgetary activity for the years ended December 31, 2008 follows:

2008 Budgeted vs. Actual Receipts			
	Budgeted Receipts	Actual Receipts	Variance
Port Authority	\$ 212,445	\$ 212,445	\$ 0
<i>Total</i>	\$ 212,445	\$ 212,445	\$ 0

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
	Appropriation Authority	Budgetary Expenditures	Variance
Port Authority	\$ 243,076	\$ 243,076	\$ 0
<i>Total</i>	\$ 243,076	\$ 243,076	\$ 0

D. Risk Management

The Authority has obtained commercial insurance for the following risks:

Public Official Liability and
Commercial Crime

E. Debt

Debt outstanding at December 31, 2008 was as follows:

	2008	
State of Ohio Loan	\$ 6,000,000	2.00%
Community Investment Association Loan	422,175	5.00%
<i>Total</i>	\$ 6,422,175	

Both loans above relate to the expansion of the Detroit Diesel Remanufacturing East, Inc. project. Principal payments do not begin until 2011 for the State of Ohio loan. The principal of the CIA loan is due in 2016.

GUERNSEY COUNTY, OHIO
Notes to the Modified Cash Financial Statements
For the Year Ended December 31, 2008

NOTE 20: GUERNSEY COUNTY PORT AUTHORITY (Continued)

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending 31-Dec	State of Ohio	CIA Loan
2009	\$ 135,000	\$ 21,109
2010	135,000	21,109
2011	357,055	21,109
2012	693,309	21,109
2013	681,754	21,109
Thereafter	<u>5,038,754</u>	<u>469,670</u>
Totals	<u>\$ 7,040,872</u>	<u>\$ 575,215</u>

F. Consortium

The Authority is a member of a consortium of local government agencies in Guernsey County. This consortium has purchased property and is in the process of selling parcels to local or re-locating businesses. The Authority's share of the consortium's activity is shown as Received/Distribution on Behalf of Other Entities.

G. Lease Income

The Authority owns the building that Detroit Diesel Remanufacturing, Inc. uses for their operations. There is a ten-year lease between both parties with rent being \$13,304 a month through May 2011, then monthly payments of \$44,730 until the end of the lease. The amount of lease income for 2008 was \$159,653.

NOTE 21: GUERNSEY INDUSTRIES

A. Summary of Significant Accounting Policies

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

Basis of Accounting

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

GUERNSEY COUNTY, OHIO
Notes to the Modified Cash Financial Statements
For the Year Ended December 31, 2008

NOTE 21: GUERNSEY INDUSTRIES (Continued)

Financial Statement Preparation

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

Contributions

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

Accounts Receivable

Trade accounts receivable are carried at cost, which is the amount the Organization expects to collect on balances outstanding at year-end. Management has elected to record bad debts using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed. There were no bad debt write-offs in the year ended December 31, 2008. The Organization does not charge interest on past due amounts. The Organization does not require collateral for amounts due.

As of December 31, 2008, 68 percent of Guernsey Industries outstanding accounts receivable were owed by one large manufacturing corporation located in Guernsey County, Ohio. During the year ended December 31, 2008, 31 percent of Guernsey Industries sales were made to that one corporation.

Inventory

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

Property and Equipment

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

<u>Description</u>	<u>Useful Life</u>	<u>Method</u>
Machinery and Equipment	5-10 Years	Straight Line
Vehicles	5 Years	Straight Line

GUERNSEY COUNTY, OHIO
Notes to the Modified Cash Financial Statements
For the Year Ended December 31, 2008

NOTE 21: GUERNSEY INDUSTRIES (Continued)

Income Taxes

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

Advertising

The Organization expenses advertising costs as incurred.

In-Kind Contributions

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

Use of Estimates

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

B. Cash and Investments

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

At December 31, 2008, Guernsey Industries maintained \$12,916 of cash balances in excess of Federal Deposit Insurance Corp. (FDIC) insurance limits with National City Bank. The Bank has collateralized the amount in excess of the FDIC insurance limits with funds from its public funds securities pool.

Investments are carried at cost, which approximates market value. At December 31, 2008, these investments consisted of interest bearing bank certificates of deposit with maturity dates of greater than three months.

C. Inventory

The Components of inventory as of December 31, 2008 are as follows:

Materials	\$ 13,069
Finished goods	<u>6,985</u>
	<u><u>\$ 20,054</u></u>

GUERNSEY COUNTY, OHIO
Notes to the Modified Cash Financial Statements
For the Year Ended December 31, 2008

NOTE 21: GUERNSEY INDUSTRIES (Continued)

D. In-Kind Contributions

The Guernsey County Board of MR/DD (the County Board) made in-kind contributions to Guernsey Industries. The in-kind contributions for the years ended December 31, 2008 are as follows:

Adult program direct services wages and fringe benefits	\$ 139,074
Adult program capital costs	11,195
Adult program administrative costs	32,063
Adult program building service costs	<u>33,681</u>
	<u>\$ 216,013</u>

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

As of December 31, 2008, the County Board owed Guernsey Industries \$3,405 on a trade receivable. During the year ended December 31, 2008, Guernsey Industries received \$45,601 from the County Board for custodial services performed. During the year ended December 31, 2008, Guernsey Industries paid \$9,930 to the County Board for its portion of shared utility costs.

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

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

Guernsey County
627 Wheeling Avenue
Cambridge, Ohio 43725

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Guernsey County, Ohio as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 11, 2009, wherein we noted that except for Guernsey Industries, Inc., the County uses the modified cash basis, a comprehensive basis of accounting other than generally accepted accounting principles. We also noted that we did not audit the financial statements of the Guernsey County Port Authority, the discretely presented component unit. Other auditors audited those financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of Guernsey Industries, Inc. in accordance with auditing standards generally accepted in the United States of America and not in accordance with Government Auditing Standards and accordingly this report does not extend to that component unit.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Guernsey County's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the County's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the County's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the County's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purposes described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. We noted certain matters that we have reported to management in a separate letter dated September 11, 2009.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Guernsey County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards*., which is described in the accompanying Schedule of Findings as item 2008-01 and 2008-2. We also noted certain immaterial instances of noncompliance, which we have reported to management of Guernsey County in a separate letter dated September 11, 2009.

Guernsey County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Guernsey County's response and, accordingly, we express no opinion on it.

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

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
September 11, 2009

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

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

Guernsey County
627 Wheeling Avenue
Cambridge, Ohio 43725

Compliance

We have audited the compliance of Guernsey County, Ohio 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 its major federal program for the year ended December 31, 2008. Guernsey County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Guernsey County's management. Our responsibility is to express an opinion on Guernsey County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Guernsey 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 Guernsey County's compliance with those requirements.

In our opinion, the Guernsey County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2008. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements that OMB Circular A-133 requires us to report, which is described in the accompanying Schedule of Findings as item 2008-03.

Internal Control Over Compliance

The management of Guernsey 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Internal Control Over Compliance (Continued)

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of noncompliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weakness, as defined above.

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended for the information of the management, The Board of Commissioners, the Auditor of State, federal award agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
September 11, 2009

GUERNSEY COUNTY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION 505
DECEMBER 31, 2008**

1. Summary of Auditor's Results

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	NO
(d)(1)(ii)	Were there any other significant deficiencies In internal control reported at the financial statement level (GAGAS)?	NO
(d)(1)(iii)	Was there any reported 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 significant deficiencies In internal control reported for major federal programs?	YES
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section. 510?	YES
(d)(1)(vii)	Major Programs:	Title XIX; CFDA #93.778 Hazard Mitigation; CFDA 97.039 Highway Planning; CFDA #20.205
(d)(1)(viii)	Dollar Threshold: Type A\B Programs:	Type A: >\$300,000; Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	Yes

2. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

FINDING NUMBER 2008-01

Noncompliance Citation

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

GUERNSEY COUNTY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
OMB CIRCULAR A-133 SECTION 505
DECEMBER 31, 2008**

2. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS (continued)

FINDING NUMBER 2008-01 (CONTINUED)

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

We recommend the County take necessary steps to ensure the annual financial report is prepared in accordance with generally accepted accounting principles.

Client Response: Guernsey County has not filed GAAP financial statements because we feel that the costs related to the GAAP filing requirements far outweigh the benefits that Guernsey County would realize.

FINDING NUMBER 2008-02

Ohio Revised Code Section 5705.41(D) states in part that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

Prior certification was not obtained for 9% of the expenditures tested for 2008.

The County should certify funds before each payment is made through the issuance of a regular, blanket, or super blanket purchase order. Blanket certificates should be issued for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of council against any specific line item account over a period not running beyond the end of the current fiscal year. A super blanket purchase order can be completed for any amount for expenditures and contracts from a specific line item appropriation account in a specified fund for most recurring or reasonable predictable operating expenditures. This is not to extend beyond the current year. More than one super blanket may be outstanding at one particular time for a particular line item appropriation account.

Also, as an alternative, the County can issue then and now certificates for expenses up to \$3,000. Then and now certificates allow the County to certify that both at the time the expenditure was made and at the time that the certification is completed, sufficient funds are available. These certificates can be certified by the Auditor without subsequent authorization from the Commissioners. However, then and now certificates issued by the Auditor over \$3,000 must be authorized by the Commissioners within thirty days after payment.

Client Response: Client will more closely monitor and try to use the Then and Now certificates when applicable.

GUERNSEY COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

OMB CIRCULAR A-133 SECTION 505

DECEMBER 31, 2008

3. Findings and Questioned Costs for Federal Awards

FINDING NUMBER 2008-03

CFDA Title and Number Community Development Block Grant State program #14.228

Federal Award Number/Year: B-E-06-026-1

Federal Agency: U.S. Department of Housing and Urban Development

Pass Through Agency: Ohio Department of Development

Noncompliance Citation - Cash Management

Grantees must develop a cash management system to ensure compliance with the Fifteen-Day Rule relating to prompt disbursement of funds. This rule states that funds drawn down should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance of less than \$5,000 within fifteen days of receipt of any funds. Lump sum draw downs are not permitted. Escrow accounts are permitted only in the case of rehabilitation of private property. For the purpose of the Fifteen-day Rule only, funds deposited into an escrow account will be considered expended, but it should be noted that funds may only be in an escrow account for 20 days. In 2008 draw downs were made but the disbursements made did not bring the balance on hand to \$5,000.

Client Response: We will more closely monitor draw downs and the expenditures to try to be in compliance with this rule.

GUERNSEY COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2008

Federal Grantor/ Sub-Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>				
(Pass through Ohio Department of Education)				
Child Nutrition Cluster:				
Food Distribution Program	n/a	10.550	\$ -	\$ 337
National School Lunch Program	n/a	10.555	3,260	-
Total U.S. Department of Agriculture			3,260	337
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>				
(Pass through Ohio Department of Development)				
Community Development Block Grant	B-C-06-028-1	14.228	100,457	-
	B-F-06-028-1		28,514	-
	B-F-07-028-1		141,000	-
	Program Income		40,500	-
			310,471	-
HOME Partnership Grant	B-C-06-028-2	14.239	159,895	-
	Program Income		64,969	-
			224,864	-
Total U.S. Department of Housing and Urban Development			535,335	-
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:</u>				
(Pass through Ohio Department of Youth Services)				
Americorp Grant	JJWC-022-06	94.006	1,966	-
	JJWC-022-07		17,951	-
			19,917	-
Total Corporation for National and Community Service			19,917	-
<u>ELECTION ASSISTANCE COMMISSION</u>				
(Pass through Ohio Secretary of State)				
Help America Vote Act - Pool Worker Training	05-SOS-HAVA-30	39.011	4,532	-
			4,532	-
Total Election Assistance Commission			4,532	-
<u>U.S. DEPARTMENT OF EDUCATION:</u>				
(Pass through Ohio Dept of Health and Guernsey County Family Service Council)				
Help Me Grow	n/a	84.181	62,254	-
(Pass through Ohio Department of Education)				
Special Education Cluster:				
Special Education Grants to States (Title VI-B)	07116-6BSF-06/07	84.027	23,201	-
Preschool Disability Grant	071118-C2S1	84.173	22	-
			23,223	-
Total U.S. Department of Education			85,477	-

See notes to Schedule of Federal Awards Expenditures.

GUERNSEY COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2008

Federal Grantor/ Sub-Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
(Pass through Ohio Department of Transportation)				
Highway Planning	n/a	20.205	<u>949,228</u>	-
Total U.S. Department of Transportation			949,228	-
<u>U.S. DEPARTMENT OF LABOR</u>				
(Pass through Area 7 Workforce Investment Board)				
Workforce Investment Act Cluster:				
WIA Youth	n/a	17.259	255,953	-
WIA Youth Administration	n/a		<u>8,830</u>	-
			264,783	-
WIA Adult	n/a	17.258	170,897	-
WIA Adult Administration	n/a		<u>5,897</u>	-
			176,794	-
WIA Dislocated Worker	n/a	17.260	380,233	-
WIA Dislocated Worker Administration	n/a		<u>13,120</u>	-
			393,353	-
Total Workforce Investment Act Cluster			834,930	-
Veterans Employment Program	n/a	17.802	39,805	-
Veterans Employment Program Administration			<u>1,373</u>	-
			41,178	-
Total U.S. Department of Labor			876,108	-
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>				
(Pass through Ohio Department of MR/DD)				
Social Services Block Grant	n/a	93.667	32,777	-
Medical Assistance program - TCM	n/a	93.778	75,156	-
Medical Assistance program - Waivers	n/a		345,501	-
Medical Assistance program - Waivers Admin	n/a		<u>50,313</u>	-
			470,970	-
State Childrens Insurance Program	n/a	93.767	<u>455</u>	-
Total U.S. Department of Health and Human Services			504,202	-

See notes to Schedule of Federal Awards Expenditures.

GUERNSEY COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2008

Federal Grantor/ Sub-Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
<u>DEPARTMENT OF HOMELAND SECURITY</u>				
Pass through Ohio EMA				
FEMA Grant - Hazard Mitigation		97.039	333,572	-
FEMA Disaster Assistance Grant		97.036	48,388	-
Emergency Management Performance Grant	2006-EM-E6-0042	97.042	39,453	-
FY06 State Homeland Security Program	2006-GE-T6-0051	97.073	55,186	-
			<u>55,186</u>	-
FY05 Citizens Corps Program	2006-GC-T4-0001	97.053	2,704	-
FY06 Citizens Corps Program	2007-GE-T7-0030		3,947	-
			<u>6,651</u>	-
Total Federal Emergency Management Agency			483,250	-
Total Federal Awards Expenditures			<u>\$ 3,461,309</u>	<u>\$ 337</u>

See notes to Schedule of Federal Awards Expenditures.

GUERNSEY COUNTY
NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTES A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - MATCHING REQUIREMENTS

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

NOTE C - SUBRECIPIENTS

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

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

NOTE C - CHILD NUTRITION CLUSTER

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

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

GUERNSEY COUNTY

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 SECTION 315(b)**

December 31, 2007

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2007-01	OAC 117-2-03B Not filing report in accordance with GAAP	No	Not Corrected. Cited in current report as finding 2008-01
2007-02	ORC 5705.41(D) Invoices dated prior to certification	No	Not Corrected. Cited in current report as item 2008-02
2007-03	Cash Management CDBG Program 15 day rule	No	Not Corrected. Cited in current report as item 2008-03
2007-04	Information left off Schedule of Federal Award Expenditures	Yes	Finding No Longer Valid

GUERNSEY COUNTY

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 SECTION 315(b)
December 31, 2008**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2008-01	The County will continue to prepare its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles for 2007	N/A	Tony Brown, County Auditor
2008-02	The County Auditor plans to inform all department heads and other such applicable prsonnel the requirements set forth by this Code Section	December 31, 2009	Tony Brown, County Auditor
2008-03	The County Auditor plans on discussing drawdown procedures and forcasting of expenses with appropriate personnel to try to eliminate excess cash on hand	December 31, 2009	Tony Brown, County Auditor



Mary Taylor, CPA
Auditor of State

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
NOVEMBER 10, 2009**