



Dave Yost • Auditor of State

GUERNSEY COUNTY

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Guernsey County
627 Wheeling Avenue
Cambridge, Ohio 43725

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Guernsey County, Ohio (the County), as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 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 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

The financial statements do not include financial data for the County's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the reporting entity that includes the component units' financial data. The County has not issued reporting entity financial statements. We cannot determine the amounts of assets, liabilities, net assets, revenues and expenses that the accompanying statements should present for the omitted discretely-presented component units in order to comply with accounting principles generally accepted in the United States of America.

In our opinion, because of the omission of the discretely-presented component units, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely-presented component unit of Guernsey County, Ohio, as of December 31, 2011, and the changes in their financial position for the year then ended.

In addition, 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, each major fund, and the aggregate remaining fund information of Guernsey County, Ohio, as of December 31, 2011, and the respective changes in cash financial position, thereof and the respective budgetary comparison for the General, Public Assistance, Motor Vehicle and Gasoline Tax, and Board of Developmental Disabilities funds thereof for the year then ended in conformity with the accounting basis Note 2 describes.

As described in Note 4, during 2011 Guernsey County adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2012, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the County's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, and governmental activities. The Federal Awards Expenditures Schedule (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the Schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



Dave Yost
Auditor of State

September 10, 2012

Guernsey County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011

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, 2011, within the limitations of the County's cash basis accounting. Readers should also review the cash basis financial statements and notes to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- Net cash assets of governmental activities increased \$870,889.
- At the end of the current year, the County's governmental funds reported a combined ending fund balance of \$19,458,434, an increase of \$1,130,889 from the prior year.

Using this Annual Financial Report

This discussion and analysis is intended to serve as an introduction to Guernsey County's 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 cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the County's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the 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 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 – Cash Basis* presents information on all of Guernsey County's 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, 2011

The *Statement of Activities – 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 Board of 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 *Statement of Cash Basis Assets and Fund Balances* and *Statement of Cash Receipts, Disbursements and Changes in 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, 2011

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 2011 compared to 2010.

A portion of the County's governmental activities net assets, \$17,941,599, or 89 percent, represents resources that are subject to restrictions on how they can be used. The remaining balance of unrestricted assets, \$2,110,847, or 11 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	
	2011	2010	2011	2010	2011	2010
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 17,755,809	\$ 16,997,660	\$ 1,194,388	\$ 729,891	\$ 18,950,197	\$ 17,727,551
Cash and Cash Equivalents:						
In Segregated Accounts	59,371	95,094	0	0	59,371	95,094
With Fiscal Agents	2,237,266	2,088,803	0	0	2,237,266	2,088,803
<i>Total Assets</i>	20,052,446	19,181,557	1,194,388	729,891	21,246,834	19,911,448
Net Assets						
Restricted for:						
Capital Projects	1,038,807	854,629	0	0	1,038,807	854,629
Debt Service	228,753	192,315	0	0	228,753	192,315
Motor Vehicle Gas Tax	1,029,688	1,313,174	0	0	1,029,688	1,313,174
Public Assistance	446,116	293,057	0	0	446,116	293,057
Children Services	1,515,429	1,352,349	0	0	1,515,429	1,352,349
Developmental Disabilities	11,618,165	10,792,812	0	0	11,618,165	10,792,812
Other Purposes	2,064,641	1,909,194	0	0	2,064,641	1,909,194
Unrestricted	2,110,847	2,474,027	1,194,388	729,891	3,305,235	3,203,918
<i>Total Net Assets</i>	\$ 20,052,446	\$ 19,181,557	\$ 1,194,388	\$ 729,891	\$ 21,246,834	\$ 19,911,448

Guernsey County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011

Table 2 shows the changes in net assets for 2011 compared to 2010.

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Receipts:						
<i>Program Receipts:</i>						
Charges for Services	\$ 5,446,414	\$ 4,636,437	\$ 2,503,959	\$ 2,284,664	\$ 7,950,373	\$ 6,921,101
Operating Grants & Contributions	17,980,206	20,102,529	0	0	17,980,206	20,102,529
Capital Grants & Contributions	901,535	2,688,495	162,000	305,167	1,063,535	2,993,662
Total Program Receipts	24,328,155	27,427,461	2,665,959	2,589,831	26,994,114	30,017,292
<i>General Receipts:</i>						
Property Taxes	6,139,474	5,035,722	9,809	0	6,149,283	5,035,722
Permissive Sales Tax	6,107,836	6,350,579	0	0	6,107,836	6,350,579
Grants and Entitlements	1,162,090	1,344,254	0	0	1,162,090	1,344,254
Investment Earnings	270,980	513,513	0	0	270,980	513,513
General Obligation Bonds Issued	0	0	0	0	0	0
Bond Anticipation Notes Issued	0	0	0	0	0	0
Proceeds of Loans	750,000	750,000	0	0	750,000	750,000
Proceeds of USDA Loan	0	0	108,551	0	108,551	0
Proceeds of OWDA Loans	0	0	504,163	155,384	504,163	155,384
Miscellaneous	313,330	370,803	21,904	50,545	335,234	421,348
Total General Receipts	14,743,710	14,364,871	644,427	205,929	15,388,137	14,570,800
Total Receipts	39,071,865	41,792,332	3,310,386	2,795,760	42,382,251	44,588,092
Program Disbursements:						
<i>General Government</i>						
Legislative and Executive	4,752,251	4,489,648	0	0	4,752,251	4,489,648
Judicial	2,914,423	3,133,114	0	0	2,914,423	3,133,114
Public Safety	3,667,304	4,090,150	0	0	3,667,304	4,090,150
Public Works	5,659,644	7,486,651	0	0	5,659,644	7,486,651
Health	6,727,863	6,500,814	0	0	6,727,863	6,500,814
Human Services	10,781,434	12,609,325	0	0	10,781,434	12,609,325
Economic Development	477,148	418,994	0	0	477,148	418,994
Other	272,458	346,322	0	0	272,458	346,322
Capital Outlay	1,446,650	1,088,056	0	0	1,446,650	1,088,056
<i>Debt Service</i>						
Principal	910,762	660,001	0	0	910,762	660,001
Interest and Fiscal Charges	367,790	358,116	0	0	367,790	358,116
Issuance Costs	4,250	4,650	0	0	4,250	4,650
Sewer	0	0	1,106,575	336,024	1,106,575	336,024
Water	0	0	1,958,313	2,207,944	1,958,313	2,207,944
Total Disbursements	37,981,977	41,185,841	3,064,888	2,543,968	41,046,865	43,729,809
<i>Excess/(Deficiency) Before Transfers and Advances</i>						
	1,089,888	606,491	245,498	251,792	1,335,386	858,283
<i>Transfers</i>						
	119,001	70,489	(119,001)	(70,489)	0	0
<i>Advances</i>						
	(338,000)	0	338,000	0	0	0
Change in Net Assets	870,889	676,980	464,497	181,303	1,335,386	858,283
<i>Net Assets, Beginning of Year</i>	19,181,557	18,504,577	729,891	548,588	19,911,448	19,053,165
Net Assets, End of Year	\$ 20,052,446	\$ 19,181,557	\$ 1,194,388	\$ 729,891	\$ 21,246,834	\$ 19,911,448

Guernsey County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011

Governmental Activities - Operating grants were the largest program receipts, accounting for \$17,980,206 or 46 percent of total receipts for governmental activities.

Property tax receipts accounted for \$6,139,474 or 16 percent of total governmental receipts. Another major component of general governmental receipts was permissive sales taxes, which accounted for \$6,107,836 or 16 percent of total receipts.

The County's direct charges to users of governmental services made up \$5,446,414 or 14 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 \$10,781,434 or 28 percent of total disbursements for governmental activities. Other major program disbursements for governmental activities include health, which accounted for \$6,727,863 or 18 percent of total disbursements, public works, which accounted for \$5,659,644 or 15 percent of total disbursements, and general government – legislative and executive, which accounted for \$4,752,251 or 13 percent of total disbursements.

Business-Type Activities – As of December 31, 2011, business-type funds of the County reported net assets of \$1,194,388. This is an increase of \$464,497 during 2011. This increase is a direct result of an increase in advances in during the year. Sewer fund disbursements increased from \$336,024 to \$1,106,575 in 2011. This was due to the Buffalo/Derwent sewer construction project in 2011.

Table 3, for governmental activities, indicates the total cost of services and the net cost of services for 2011 compared to 2010. 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	
	2011	2010	2011	2010
General Government:				
Legislative and Executive	\$ 4,752,251	\$ 4,489,648	\$ (2,213,368)	\$ (2,520,836)
Judicial	2,914,423	3,133,114	(1,907,237)	(1,934,057)
Public Safety	3,667,304	4,090,150	(2,565,465)	(2,354,382)
Public Works	5,659,644	7,486,651	(232,008)	(335,039)
Health	6,727,863	6,500,814	(2,899,155)	(2,380,825)
Human Services	10,781,434	12,609,325	(1,123,394)	(1,855,269)
Economic Development	477,148	418,994	(34,489)	(8,251)
Other	272,458	346,322	(272,458)	(346,322)
Capital Outlay	1,446,650	1,088,056	(1,123,446)	(1,000,632)
Debt Service				
Principal	910,762	660,001	(910,762)	(660,001)
Interest and Fiscal Charges	367,790	358,116	(367,790)	(358,116)
Issuance Costs	4,250	4,650	(4,250)	(4,650)
<i>Total Disbursements</i>	<u>\$ 37,981,977</u>	<u>\$ 41,185,841</u>	<u>\$ (13,653,822)</u>	<u>\$ (13,758,380)</u>

Guernsey County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011

Charges for services, operating grants and contributions, capital grants and contributions of \$24,328,155 or 64 percent of the total costs of services are received and used to fund the disbursements of the County. The remaining \$13,653,822 in disbursements is funded by property taxes, permissive sales taxes, intergovernmental receipts, interest, miscellaneous receipts, and proceeds of debt.

The decrease in the human services disbursements is due to the State taking over the child care disbursements from the County. The decrease in public works expense is due to the County spending less on road projects during the year due to a decrease in State funding from 2010.

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, 2011, the County's governmental funds reported a combined ending fund balance of \$19,458,434, an increase of \$1,130,889 in comparison with the prior year.

The General Fund is the primary operating fund of the County. The fund balance of the County's General Fund decreased \$296,592 during 2011. The primary reason for the decrease was an increase in advances made to other funds during the year.

At the end of 2011 the Public Assistance Fund had a fund balance of \$446,116 in comparison to a fund balance of \$293,057 at the end of 2010. This increase is primarily due to a decrease in disbursements.

At the end of 2011 the Motor Vehicle and Gasoline Tax Fund had a fund balance of \$1,029,688 in comparison to a fund balance of \$1,313,174 at the end of 2010. This decrease is primarily due to decreases in charges for services and intergovernmental receipts during the year.

At the end of 2011 the Board of Developmental Disabilities Fund had a fund balance of \$11,618,165, in comparison to a restated fund balance of \$10,734,812 at the end of 2010. This increase is due to receipts consistently exceeding disbursements as a result of improving costs monitoring.

Guernsey County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011

General Fund Budgetary Highlights

The County's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. 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. Total actual receipts, including other financing sources were \$441,562 over the final budget due to a conservative underestimation of receipts due to the current condition of the economy. 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 9.3 percent in December 2011. This rate is higher than the State of Ohio rate of 7.6 percent in December of 2011.

The County's \$648,015,660 overall assessed valuation has increased \$60,391,660 from the prior year. This increase is attributable to a reappraisal in current year 2010 and 2011.

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, 627 Wheeling Avenue, Cambridge, Ohio 43725.

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Guernsey County, Ohio
Statement of Net Assets - Cash Basis
December 31, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 17,755,809	\$ 1,194,388	\$ 18,950,197
Cash and Cash Equivalents in Segregated Accounts	59,371	0	59,371
Cash and Cash Equivalents with Fiscal Agent	2,237,266	0	2,237,266
<i>Total Assets</i>	<u>\$ 20,052,446</u>	<u>\$ 1,194,388</u>	<u>\$ 21,246,834</u>
Net Assets			
Restricted for:			
Capital Outlay	\$ 1,038,807	\$ 0	\$ 1,038,807
Debt Service	228,753	0	228,753
Motor Vehicle and Gasoline Tax	1,029,688	0	1,029,688
Public Assistance	446,116	0	446,116
Children Services	1,515,429	0	1,515,429
Developmental Disabilities	11,618,165	0	11,618,165
Other Purposes	2,064,641	0	2,064,641
Unrestricted	2,110,847	1,194,388	3,305,235
<i>Total Net Assets</i>	<u>\$ 20,052,446</u>	<u>\$ 1,194,388</u>	<u>\$ 21,246,834</u>

See accompanying notes to the basic financial statements.

Guernsey County, Ohio
Statement of Activities - Cash Basis
For the Year Ended December 31, 2011

	Cash Disbursements	Charges for Services and Sales	Program Receipts	
			Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities:				
General Government:				
Legislative and Executive	\$ 4,752,251	\$ 2,538,883	\$ 0	\$ 0
Judicial	2,914,423	725,955	281,231	0
Public Safety	3,667,304	450,371	651,468	0
Public Works	5,659,644	863,130	3,935,038	629,468
Health	6,727,863	636,339	3,192,369	0
Human Services	10,781,434	180,599	9,477,441	0
Economic Development and Assistance	477,148	0	442,659	0
Other	272,458	0	0	0
Capital Outlay	1,446,650	51,137	0	272,067
Debt Service:				
Principal Retirements	910,762	0	0	0
Interest and Fiscal Charges	367,790	0	0	0
Issuance Costs	4,250	0	0	0
<i>Total Governmental Activities</i>	<u>37,981,977</u>	<u>5,446,414</u>	<u>17,980,206</u>	<u>901,535</u>
Business-Type Activities:				
Sewer Fund	1,106,575	365,806	0	162,000
Water Fund	1,958,313	2,138,153	0	0
<i>Total Business-Type Activities</i>	<u>3,064,888</u>	<u>2,503,959</u>	<u>0</u>	<u>162,000</u>
<i>Total - Primary Government</i>	<u>\$ 41,046,865</u>	<u>\$ 7,950,373</u>	<u>\$ 17,980,206</u>	<u>\$ 1,063,535</u>

General Receipts

Property Taxes Levied for:

General Purposes
Health Levy
County Home
Children Services
Development Disabilities
Senior Citizens Levy
Water Services

Sales Taxes Levied for:

General Purposes
Debt Service

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings
Proceeds of Loans
Proceeds of OWDA Loans
Proceeds of USDA Loans
Miscellaneous

Total General Receipts

Transfers
Advances

Total General Receipts, Advances and Transfers

Change in Net Assets

Net Assets, Beginning of Year

Net Assets, End of Year

See accompanying notes to the basic financial statements.

Net (Disbursements) Receipts and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (2,213,368)	\$ 0	\$ (2,213,368)
(1,907,237)	0	(1,907,237)
(2,565,465)	0	(2,565,465)
(232,008)	0	(232,008)
(2,899,155)	0	(2,899,155)
(1,123,394)	0	(1,123,394)
(34,489)	0	(34,489)
(272,458)	0	(272,458)
(1,123,446)	0	(1,123,446)
(910,762)	0	(910,762)
(367,790)	0	(367,790)
(4,250)	0	(4,250)
<u>(13,653,822)</u>	<u>0</u>	<u>(13,653,822)</u>
0	(578,769)	(578,769)
<u>0</u>	<u>179,840</u>	<u>179,840</u>
0	(398,929)	(398,929)
<u>(13,653,822)</u>	<u>(398,929)</u>	<u>(14,052,751)</u>
1,469,063	0	1,469,063
411,208	0	411,208
559,492	0	559,492
898,286	0	898,286
2,241,933	0	2,241,933
559,492	0	559,492
0	9,809	9,809
5,186,380	0	5,186,380
921,456	0	921,456
1,162,090	0	1,162,090
270,980	0	270,980
750,000	0	750,000
0	504,163	504,163
0	108,551	108,551
<u>313,330</u>	<u>21,904</u>	<u>335,234</u>
14,743,710	644,427	15,388,137
119,001	(119,001)	0
<u>(338,000)</u>	<u>338,000</u>	<u>0</u>
14,524,711	863,426	15,388,137
870,889	464,497	1,335,386
<u>19,181,557</u>	<u>729,891</u>	<u>19,911,448</u>
<u>\$ 20,052,446</u>	<u>\$ 1,194,388</u>	<u>\$ 21,246,834</u>

Guernsey County, Ohio
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2011

	General	Public Assistance	Motor Vehicle and Gasoline Tax	Board of Developmental Disabilities	All Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 1,590,584	\$ 446,116	\$ 1,029,688	\$ 9,380,899	\$ 4,714,510	\$ 17,161,797
Cash and Cash Equivalents in Segregated Accounts	3,896	0	0	0	55,475	59,371
Cash and Cash Equivalents with Fiscal Agent	0	0	0	2,237,266	0	2,237,266
<i>Total Assets</i>	<u>\$ 1,594,480</u>	<u>\$ 446,116</u>	<u>\$ 1,029,688</u>	<u>\$ 11,618,165</u>	<u>\$ 4,769,985</u>	<u>\$ 19,458,434</u>
Fund Balances						
Nonspendable	77,645	0	0	0	0	77,645
Restricted	0	446,116	1,029,688	11,618,165	3,870,507	16,964,476
Committed	0	0	0	0	215,087	215,087
Assigned	832,033	0	0	0	684,391	1,516,424
Unassigned	684,802	0	0	0	0	684,802
<i>Total Fund Balances</i>	<u>\$ 1,594,480</u>	<u>\$ 446,116</u>	<u>\$ 1,029,688</u>	<u>\$ 11,618,165</u>	<u>\$ 4,769,985</u>	<u>\$ 19,458,434</u>

See accompanying notes to the basic financial statements.

Guernsey County, Ohio
*Reconciliation of Total Governmental Fund Balances to
Net Assets - Cash Assets of Governmental Activities
December 31, 2011*

Total Governmental Fund Balances \$ 19,458,434

*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.

594,012

Net Assets of Governmental Activities

\$ 20,052,446

See accompanying notes to the basic financial statements.

Guernsey County, Ohio
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2011

	General	Public Assistance	Motor Vehicle and Gasoline Tax	Board of Developmental Disabilities	All Other Governmental Funds	Total Governmental Funds
Receipts						
Property Taxes	\$ 1,469,063	\$ 0	\$ 0	\$ 2,241,933	\$ 2,428,478	\$ 6,139,474
Sales Tax	5,186,380	0	0	0	921,456	6,107,836
Special Assessments	0	0	0	0	60,098	60,098
Charges for Services	2,185,555	0	0	61,373	2,372,078	4,619,006
Licenses and Permits	9,511	0	0	0	111,120	120,631
Fines and Forfeitures	87,656	0	124,870	0	198,667	411,193
Intergovernmental	1,162,090	5,562,294	3,931,715	2,827,175	6,478,846	19,962,120
Interest	270,980	0	397	0	4,309	275,686
Rent	167,375	0	0	0	128,209	295,584
Contributions and Donations	0	0	0	0	16,907	16,907
Other	78,624	497	107,406	27,711	99,092	313,330
<i>Total Receipts</i>	<u>10,617,234</u>	<u>5,562,791</u>	<u>4,164,388</u>	<u>5,158,192</u>	<u>12,819,260</u>	<u>38,321,865</u>
Disbursements						
Current:						
General Government:						
Legislative and Executive	4,138,180	0	0	0	533,530	4,671,710
Judicial	2,357,909	0	0	0	552,160	2,910,069
Public Safety	2,553,452	0	0	0	1,070,951	3,624,403
Public Works	206,326	0	4,218,859	0	1,178,243	5,603,428
Health	60,802	0	0	4,274,839	2,377,957	6,713,598
Human Services	263,628	5,503,327	0	0	4,952,756	10,719,711
Economic Development and Assistance	0	0	0	0	477,148	477,148
Other	272,458	0	0	0	0	272,458
Capital Outlay	16,828	37,892	185,836	0	1,206,094	1,446,650
Debt Service:						
Principal Retirements	0	0	2,663	0	908,099	910,762
Interest and Fiscal Charges	0	0	0	0	367,790	367,790
Issuance Costs	0	0	0	0	4,250	4,250
<i>Total Disbursements</i>	<u>9,869,583</u>	<u>5,541,219</u>	<u>4,407,358</u>	<u>4,274,839</u>	<u>13,628,978</u>	<u>37,721,977</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>747,651</u>	<u>21,572</u>	<u>(242,970)</u>	<u>883,353</u>	<u>(809,718)</u>	<u>599,888</u>
Other Financing Sources and (Uses)						
Transfers In	11,245	131,487	24,984	0	733,776	901,492
Transfers Out	(705,746)	0	(65,500)	0	(11,245)	(782,491)
Advances In	0	0	0	0	14,260	14,260
Advances Out	(349,742)	0	0	0	(2,518)	(352,260)
Proceeds of Loans	0	0	0	0	750,000	750,000
<i>Total Other Financing Sources and (Uses)</i>	<u>(1,044,243)</u>	<u>131,487</u>	<u>(40,516)</u>	<u>0</u>	<u>1,484,273</u>	<u>531,001</u>
<i>Net Change in Fund Balance</i>	<u>(296,592)</u>	<u>153,059</u>	<u>(283,486)</u>	<u>883,353</u>	<u>674,555</u>	<u>1,130,889</u>
<i>Fund Balance, Beginning of Year - Restated</i> <i>(See Note 4)</i>	<u>1,891,072</u>	<u>293,057</u>	<u>1,313,174</u>	<u>10,734,812</u>	<u>4,095,430</u>	<u>18,327,545</u>
<i>Fund Balance, End of Year</i>	<u>\$ 1,594,480</u>	<u>\$ 446,116</u>	<u>\$ 1,029,688</u>	<u>\$ 11,618,165</u>	<u>\$ 4,769,985</u>	<u>\$ 19,458,434</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 - Cash Basis
For The Year Ended December 31, 2011*

Net Change in Fund Balances - Total Governmental Funds \$ 1,130,889

*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.

(260,000)

Change in Net Assets of Governmental Activities

\$ 870,889

See accompanying notes to the basic financial statements.

Guernsey 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, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
Receipts				
Property Taxes	\$ 1,458,747	\$ 1,458,747	\$ 1,458,747	\$ -
Sales Taxes	5,075,000	5,073,855	5,186,380	112,525
Charges for Services	1,500,066	1,500,066	1,885,179	385,113
Licenses and Permits	5,984	5,984	9,511	3,527
Fines and Forfeitures	86,042	86,042	87,656	1,614
Intergovernmental	1,045,793	1,045,793	1,162,090	116,297
Interest	400,000	400,000	270,980	(129,020)
Rent	169,000	169,000	167,375	(1,625)
Other	20,934	62,294	75,191	12,897
<i>Total Receipts</i>	<u>9,761,566</u>	<u>9,801,781</u>	<u>10,303,109</u>	<u>501,328</u>
Disbursements				
Current:				
General Government:				
Legislative and Executive	4,428,480	4,428,480	4,140,340	288,140
Judicial	2,319,325	2,319,325	2,197,467	121,858
Public Safety	2,644,214	2,644,214	2,622,735	21,479
Public Works	187,873	187,873	181,226	6,647
Health	60,850	60,850	60,802	48
Human Services	294,160	294,160	277,493	16,667
Other	276,817	276,817	272,458	4,359
Capital Outlay	16,935	16,935	16,828	107
<i>Total Disbursements</i>	<u>10,228,654</u>	<u>10,228,654</u>	<u>9,769,349</u>	<u>459,305</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(467,088)</u>	<u>(426,873)</u>	<u>533,760</u>	<u>960,633</u>
Other Financing Sources and (Uses)				
Transfers In	76,231	88,231	28,465	(59,766)
Transfers Out	(834,953)	(834,953)	(737,062)	97,891
Advances Out	0	0	(349,742)	(349,742)
<i>Total Other Financing Sources and (Uses)</i>	<u>(758,722)</u>	<u>(746,722)</u>	<u>(1,058,339)</u>	<u>(311,617)</u>
<i>Net Change in Fund Balance</i>	(1,225,810)	(1,173,595)	(524,579)	649,016
<i>Fund Balance, Beginning of Year - Restated</i> <i>(See Note 4)</i>	<u>1,566,167</u>	<u>1,566,167</u>	<u>1,566,167</u>	<u>0</u>
<i>Fund Balance, End of Year</i>	<u>\$ 340,357</u>	<u>\$ 392,572</u>	<u>\$ 1,041,588</u>	<u>\$ 649,016</u>

See accompanying notes to the basic financial statements.

Guernsey 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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Receipts				
Intergovernmental	\$ 7,536,849	\$ 5,659,040	\$ 5,562,294	\$ (96,746)
Other	<u>0</u>	<u>0</u>	<u>497</u>	<u>497</u>
<i>Total Receipts</i>	<u>7,536,849</u>	<u>5,659,040</u>	<u>5,562,791</u>	<u>(96,249)</u>
Disbursements				
Current:				
Human Services	7,889,098	7,889,098	5,634,454	2,254,644
Capital Outlay	<u>8,000</u>	<u>8,000</u>	<u>60,311</u>	<u>(52,311)</u>
<i>Total Disbursements</i>	<u>7,897,098</u>	<u>7,897,098</u>	<u>5,694,765</u>	<u>2,202,333</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(360,249)</u>	<u>(2,238,058)</u>	<u>(131,974)</u>	<u>2,106,084</u>
Other Financing Sources				
Transfers In	<u>176,151</u>	<u>176,151</u>	<u>131,487</u>	<u>(44,664)</u>
<i>Net Change in Fund Balance</i>	(184,098)	(2,061,907)	(487)	2,061,420
<i>Fund Balance, Beginning of Year</i>	151,924	151,924	151,924	0
<i>Prior Year Encumbrances Appropriated</i>	<u>141,133</u>	<u>141,133</u>	<u>141,133</u>	<u>0</u>
<i>Fund Balance, End of Year</i>	<u>\$ 108,959</u>	<u>\$ (1,768,850)</u>	<u>\$ 292,570</u>	<u>\$ 2,061,420</u>

See accompanying notes to the basic financial statements.

Guernsey 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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Receipts				
Fines and Forfeitures	\$ 165,000	\$ 124,870	\$ 124,870	\$ 0
Intergovernmental	3,950,000	3,939,235	3,931,715	(7,520)
Interest	780	780	397	(383)
Other	100,000	100,000	107,406	7,406
<i>Total Receipts</i>	<u>4,215,780</u>	<u>4,164,885</u>	<u>4,164,388</u>	<u>(497)</u>
Disbursements				
Current:				
Public Works	4,433,997	4,433,997	4,241,410	192,587
Capital Outlay	131,200	131,200	185,836	(54,636)
Debt Service:				
Principal Retirements	2,663	2,663	2,663	0
<i>Total Disbursements</i>	<u>4,567,860</u>	<u>4,567,860</u>	<u>4,429,909</u>	<u>137,951</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(352,080)</u>	<u>(402,975)</u>	<u>(265,521)</u>	<u>137,454</u>
Other Financing Sources and (Uses)				
Transfers Out	(65,500)	(65,500)	(65,500)	0
Transfers In	24,515	24,515	24,984	469
<i>Total Other Financing Sources and (Uses)</i>	<u>(40,985)</u>	<u>(40,985)</u>	<u>(40,516)</u>	<u>469</u>
<i>Net Change in Fund Balance</i>	(393,065)	(443,960)	(306,037)	137,923
<i>Fund Balance, Beginning of Year</i>	1,263,687	1,263,687	1,263,687	0
<i>Prior Year Encumbrances Appropriated</i>	49,487	49,487	49,487	0
<i>Fund Balance, End of Year</i>	<u>\$ 920,109</u>	<u>\$ 869,214</u>	<u>\$ 1,007,137</u>	<u>\$ 137,923</u>

See accompanying notes to the basic financial statements.

Guernsey County, Ohio
Statement of Cash Receipts, Disbursements and Changes
In Cash Basis Fund Balance - Budget and Actual (Budget Basis)
Board of Developmental Disabilities Fund
For the Year Ended December 31, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Receipts				
Property Taxes	\$ 1,748,536	\$ 1,748,536	\$ 2,218,128	\$ 469,592
Charges for Services	72,000	67,424	61,373	(6,051)
Intergovernmental	2,072,793	2,018,792	2,827,175	808,383
Other	10,500	10,500	27,711	17,211
<i>Total Receipts</i>	<u>3,903,829</u>	<u>3,845,252</u>	<u>5,134,387</u>	<u>1,289,135</u>
Disbursements				
Current:				
Health	<u>7,175,521</u>	<u>7,175,521</u>	<u>4,428,863</u>	<u>2,746,658</u>
<i>Total Disbursements</i>	<u>7,175,521</u>	<u>7,175,521</u>	<u>4,428,863</u>	<u>2,746,658</u>
<i>Net Change in Fund Balance</i>	(3,271,692)	(3,330,269)	705,524	4,035,793
<i>Fund Balance, Beginning of Year</i>	<u>10,433,266</u>	<u>10,433,266</u>	<u>10,433,266</u>	<u>0</u>
<i>Fund Balance, End of Year</i>	<u>\$ 7,161,574</u>	<u>\$ 7,102,997</u>	<u>\$ 11,138,790</u>	<u>\$ 4,035,793</u>

See accompanying notes to the basic financial statements.

Guernsey County, Ohio
Statement of Fund Net Assets - Cash Basis
Proprietary Funds
December 31, 2011

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Water	Nonmajor	Total	
Assets				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	<u>\$ 567,129</u>	<u>\$ 627,259</u>	<u>\$ 1,194,388</u>	<u>\$ 594,012</u>
Net Assets				
Unrestricted	<u>\$ 567,129</u>	<u>\$ 627,259</u>	<u>\$ 1,194,388</u>	<u>\$ 594,012</u>

See accompanying notes to the basic financial statements.

Guernsey County, Ohio
Statement of Cash Receipts, Disbursements and Changes in Fund Net Assets - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2011

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Water	Nonmajor	Total	
Operating Receipts				
Charges for Services	\$ 2,104,753	\$ 365,806	\$ 2,470,559	\$ 4,138,005
Tap-In Fees	33,400	0	33,400	0
Other	21,897	7	21,904	0
<i>Total Operating Receipts</i>	<u>2,160,050</u>	<u>365,813</u>	<u>2,525,863</u>	<u>4,138,005</u>
Operating Disbursements				
Personal Services	599,778	113,945	713,723	0
Contractual Services	920,435	187,041	1,107,476	528,728
Materials and Supplies	151,600	20,165	171,765	0
Claims	0	0	0	3,869,277
Capital Outlay	0	268,985	268,985	0
Other	51,241	5,063	56,304	0
<i>Total Operating Disbursements</i>	<u>1,723,054</u>	<u>595,199</u>	<u>2,318,253</u>	<u>4,398,005</u>
<i>Operating Income (Loss)</i>	<u>436,996</u>	<u>(229,386)</u>	<u>207,610</u>	<u>(260,000)</u>
Non-Operating Receipts (Disbursements)				
Proceeds of OWDA Loans	4,858	499,305	504,163	0
Proceeds of USDA Loans	0	108,551	108,551	0
Intergovernmental	0	162,000	162,000	0
Property Taxes	9,809	0	9,809	0
Principal Retirement	(82,142)	(492,602)	(574,744)	0
Interest and Fiscal Charges	(153,117)	(18,774)	(171,891)	0
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(220,592)</u>	<u>258,480</u>	<u>37,888</u>	<u>0</u>
<i>Income (Loss) Before Advances and Transfers</i>	<u>216,404</u>	<u>29,094</u>	<u>245,498</u>	<u>(260,000)</u>
Advances In	0	338,000	338,000	0
Transfers In	5	44,141	44,146	0
Transfers Out	(163,147)	0	(163,147)	0
<i>Total Advances and Transfers</i>	<u>(163,142)</u>	<u>382,141</u>	<u>218,999</u>	<u>0</u>
<i>Change in Net Assets</i>	<u>53,262</u>	<u>411,235</u>	<u>464,497</u>	<u>(260,000)</u>
<i>Net Assets, Beginning of Year</i>	<u>513,867</u>	<u>216,024</u>	<u>729,891</u>	<u>854,012</u>
<i>Net Assets, End of Year</i>	<u>\$ 567,129</u>	<u>\$ 627,259</u>	<u>\$ 1,194,388</u>	<u>\$ 594,012</u>

See accompanying notes to the basic financial statements.

Guernsey County, Ohio
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
December 31, 2011

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 0	\$ 2,197,291
Cash and Cash Equivalents in Segregated Accounts	116,131	432,129
<i>Total Assets</i>	\$ 116,131	\$ 2,629,420
Net Assets		
Held in Trust for Children Services	\$ 116,131	\$ 0
Unrestricted	0	2,629,420
<i>Total Net Assets</i>	\$ 116,131	\$ 2,629,420

See accompanying notes to the basic financial statements.

Guernsey County, Ohio
Statement of Changes in Fiduciary Net Assets - Cash Basis
Fiduciary Funds
For the Year Ended December 31, 2011

	<u>Private Purpose Trust</u>
Additions	
Gifts and Contributions	<u>\$ 20,963</u>
Deductions	
Payments in Accordance with Trust Agreements	<u>1,801</u>
<i>Change in Net Assets</i>	19,162
<i>Net Assets, Beginning of Year</i>	<u>96,969</u>
<i>Net Assets, End of year</i>	<u><u>\$ 116,131</u></u>

See accompanying notes to the basic financial statements.

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2011

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 (GASB) Statement 14 for determining the reporting entity, as well as Government Accounting Standards Board Statement 39, Determining Whether Certain Organizations are Component Units, an amendment of GASB Statement 14. 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 Department of Developmental Disabilities, Children Services Board, Soldiers’ Relief Commission, Local Emergency Planning Committee (LEPC), Water and Sanitary Sewer Districts, 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.

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
- Ohio Valley Educational Service Center
- Guernsey Health Systems (Guernsey Health Foundation)

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2011

- Pritchard-Laughlin Convention Center

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

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

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

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 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, related organizations and public entity risk pools. These organizations are presented in Notes 17, 18 and 19 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
- Area Office on Aging
- Eastern Ohio Correctional Center (EOCC)
- Southeast Area Transit (SAT)
- 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.

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2011

Note 2 – Summary of Significant Accounting Policies

As discussed further under Basis of Accounting, these financial statements are presented on a cash basis of accounting. This 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 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 issued on or before November 30, 1989, have been applied, to the extent they are applicable to the 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. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. 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 activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the County that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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 cash basis or draws from the general receipts of the County.

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2011

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.

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.

Board of Developmental Disabilities – The Board of Developmental Disabilities Fund accounts for the operation of a school and the costs of administering a workshop for the 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 and report grants and other resources whose use is restricted, committed or assigned to a particular purpose.

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2011

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 is the County’s major enterprise fund:

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.

The nonmajor 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.

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are not available to support the County’s own programs. 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 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 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.

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2011

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.

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 in Segregated Accounts."

The County utilized a jointly governed organization (MEORC) to service developmentally disabled residents within the County. The balance in this account is presented as "Cash and Cash Equivalents with Fiscal Agent."

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

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

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2011

During 2011, the County invested in STAROhio, federal agency securities, County bonds, negotiable certificates of deposit and a money market account. 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, 2011.

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 2011 were \$270,980, which includes \$246,486 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 the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Interfund Receivables/Payables

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

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the County's 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 Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2011

L. 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. 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 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.

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 senior citizens services, court programs, various health services, 911 system and economic development. 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 \$17,941,599 of restricted net assets, of which none is restricted by enabling legislation.

O. Fund Balance

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

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

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

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2011

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the County Commissioners. Those committed amounts cannot be used for any other purpose unless the County Commissioners remove or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the County Commissioners.

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

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

P. Changes in Accounting Principles

For the year ended December 31, 2011, the County has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*” and GASB Statement No. 59, “*Financial Instruments Omnibus*.”

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned and/or unassigned.

GASB Statement No. 59 updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of this GASB statement did not affect the presentation of the financial statements of the County.

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2011

Note 3 – 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 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. In addition, the County’s component units, Guernsey County Port Authority and Guernsey Industries were excluded from this presentation. The County can be fined and various other administrative remedies may be taken against the County.

The County failed to comply with Ohio Rev. Code 5705.40 which requires appropriation amendments to be approved following the same process as making the original appropriations. Appropriation amendments of the County were not formally approved by the Board of County Commissioners. Therefore these appropriation amendments are not reflected within the County’s budgetary presentations. This resulted in the legally adopted appropriations in excess of estimated resources being reflected in the financial statements for the Public Assistance Fund in the amount of \$1,768,850 which is contrary to Ohio Rev. Code Section 5705.39. In addition, the County failed to certify certain obligations prior to commitment which is contrary to Ohio Rev. Code Section 5705.41(D).

Note 4 – Restatement of Fund Balance

For 2011, the County implemented Governmental Accounting Standard Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had the following effect on fund balances of the major governmental funds and all other governmental funds as previously reported:

	General	Board of Developmental Disabilities	Nonmajor Governmental
Fund Balance Previously Reported at December 31, 2010	\$ 1,694,682	\$ 10,792,812	\$ 4,233,820
Fund Reclassification:			
Certificate of Title Administration	133,439	0	(133,439)
Recorders Equipment	4,951	0	(4,951)
Board of Developmental Disabilities Risk	58,000	(58,000)	0
Restated Fund Balance at January 1, 2011	<u>\$ 1,891,072</u>	<u>\$ 10,734,812</u>	<u>\$ 4,095,430</u>

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2011

In prior years certain funds that are legally budgeted in separate special revenue funds were considered part of the general fund on a budgetary basis. Pursuant to GASB Statement No. 54, only the legally budgeted general fund should be reported in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund's budgetary basis fund balance at December 31, 2010 is as follows:

	<u>General Fund</u>
Balance at December 31, 2010	\$ 1,641,108
Funds Budgeted Elsewhere	<u>(74,941)</u>
Restated Fund Balance at January 1, 2011	<u>\$ 1,566,167</u>

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 cash basis are as follows:

1. Outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).
2. Unrecorded cash, which consists of MEORC activity is not reported by the County on the operating statements (budgetary basis), but is reported on the cash basis operating statements.
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 (cash basis) in the appropriate County fund.
4. Some funds are included in the general fund (GAAP), but have separate legally adopted budgets.

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

	<u>General</u>	<u>Public Assistance</u>	<u>Motor Vehicle & Gasoline Tax</u>	<u>Board of Developmental Disabilities</u>
Cash Basis	\$ (296,592)	\$ 153,059	\$ (283,486)	\$ 883,353
Beginning of Year:				
Agency Fund Cash Allocation	53,574	0	0	123,632
End of Year:				
Agency Fund Cash Allocation	(63,890)	0	0	(147,437)
Unrecorded Cash	0	0	0	(148,463)
Funds Budgeted Elsewhere*	(84,043)	0	0	0
Encumbrances	<u>(133,628)</u>	<u>(153,546)</u>	<u>(22,551)</u>	<u>(5,561)</u>
Budget Basis	<u>\$ (524,579)</u>	<u>\$ (487)</u>	<u>\$ (306,037)</u>	<u>\$ 705,524</u>

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2011

* As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting," certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes Certificate of Title Administration, Records Equipment, Unclaimed Money, Board of Developmental Disabilities Risk and Public Defender Indigent Fee.

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.

Monies held by the County, which are not considered active, are classified as inactive. Inactive monies may be deposited or invested in the following securities provided 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);
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;

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2011

9. Up to twenty-five percent of the County's average portfolio in either of the following:
 - a. Commercial paper notes in entities incorporated under the laws of Ohio, or any other State, that have assets exceeding five hundred million dollars, which are rated in the highest classification established by two nationally recognized standard rating services, which do not need exceed ten percent of the value of the outstanding commercial paper of the issuing corporation and which mature within 270 days after purchase;
 - b. Banker's acceptances eligible for purchase by the Federal Reserve System and which mature within 180 days after purchase.
10. Up to fifteen percent of the County's average portfolio in notes issued by U.S. corporations or by depository institutions that are doing business under authority granted by the U.S. provided that the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;
11. No-load money market mutual fund rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency of instrumentality, and/or highly rated commercial paper; and,
12. Up to one percent of the County's average portfolio in debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government. All interest and principal shall be denominated and payable in the United States.

Reverse repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Bankers' acceptances must mature within 180 days. Commercial paper and corporate notes must mature within 270 days. All other investments must mature within five years from the date of settlement unless matched to a specific obligation or debt of the County. Investments must be purchased with the expectation that they will be held to maturity.

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

At year end, the County had \$289,773 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2011

Deposits

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, \$5,860,975 of the County's bank balance of \$6,668,751 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.

At December 31, 2011, the County's MRDD special revenue fund had a cash balance of \$2,237,266 with MEORC, a jointly governed organization (See Note 17). 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, 2011, 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	\$ 204,591	12/1/2020 - 11/1/2027	1.3%	N/A	N/A
STAROhio	62,810	Immediately	0.4%	AAAm	S&P
First American Government					
Obligation Money Market Fund	69,675	Immediately	0.4%	AAAm	S&P
Negotiable CD's	144,307	8/31/12 - 11/4/13	0.9%	N/A	N/A
Federal Home Loan Mortgage Notes	6,897,063	9/14/15 - 1/18/17	43.2%	AAA	Moody's
Federal Home Loan Bank Bonds	4,358,951	2/16/16 - 8/24/16	27.3%	AAA	Moody's
Federal Farm Credit Bank Bonds	2,658,390	4/17/14 - 8/22/16	16.6%	AAA	Moody's
Federal National Mortgage					
Association Notes	<u>1,579,401</u>	2/12/13 - 10/25/16	<u>9.9%</u>	AAA	Moody's
Total Investments	<u>\$15,975,188</u>		<u>100%</u>		

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2011

Interest Rate Risk Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. 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 fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

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 Federal Farm Credit Bank Bonds, Federal Home Loan Mortgage Notes, Federal Home Loan Bank Bonds and Federal National Mortgage Association Notes are exposed to custodial credit risk in that they are uninsured, unregistered and held by counterparty's trust department or agent but not in the County's name. The County has no investment policy dealing with investment custodial credit risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

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

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2011

Note 8 – Property Taxes

Property taxes include amounts levied against all real and public utility property located in the County. Property tax revenue received during 2011 for real and public utility property taxes represents collections of the 2010 taxes.

2011 real property taxes were levied after October 1, 2011 on the assessed value as of January 1, 2011, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes which became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the County due to the phasing out of the tax. In calendar years 2006-2010, the County was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

The full tax rate for all County operations for the year ended December 31, 2011, was \$13.60 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2011 property tax receipts were based are as follows:

Real property	\$ 540,735,800
Public utilities - real	317,450
Public utilities - personal	<u>106,962,410</u>
 Total assessed property value	 <u><u>\$ 648,015,660</u></u>

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

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.

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2011

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 \$65,837,198, 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 HealthSCOPE (formerly 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.

During 2011, the County began participating in the Ohio Bureau of Workers' Compensation (Bureau) Retrospective Rating Plan, (the Plan). The alternative rating program requires the County to pay only administrative charges to the Bureau, and in turn the County assumes the responsibility of paying all claims incurred during the policy period for up to ten years. After the tenth year, the Bureau will assume any existing claim for its duration. The County will be charged an actuarial amount for the claims transferred to the Bureau. The County's stop-loss coverage through the plan is limited to \$300,000 per claim with a stop-loss annual coverage aggregate of 200 percent of the experience premium if the County would not have participated in the Plan.

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. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional 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 2011, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

The County's 2011 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the County's contribution was 18.1 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4.0 percent during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2011.

The County's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2011, 2010, and 2009 were \$1,396,830, \$1,029,306 and \$988,576, respectively. The full amount has been contributed for 2011, 2010 and 2009. Contributions to the member-directed plan for 2011 were \$13,205 made by the County and \$13,205 made by plan members.

B. State Teachers Retirement System

Plan Description – Certified teachers, employed by the school for Department of 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.

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2011

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. Members in the DC plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – For the fiscal year ended June 30, 2011, 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 2010, 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 STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$9,705, \$15,773 and \$15,243, respectively. The full amount has been contributed for fiscal year 2011, 2010 and 2009. For fiscal year 2011, the County did not have any employees participating in either the DC or Combined Plans.

Note 11 – Postemployment Benefits

A. Ohio Public Employees Retirement System

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

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

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2011

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or calling 614-222-5601 or 1-800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution OPERS is set aside for the funding of post-retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2011.

The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and coverage selected.

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$558,732, \$1,020,306 and \$979,011, respectively; the full amounts have been contributed for 2011, 2010 and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2011

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.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio.

STRS Ohio issues a financial report that includes financial information for the health care plan. Interested parties can view the most recent report at www.strsoh.org or obtain a copy by calling (888) 227-7877.

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, 2011, 2010 and 2009. The County’s contributions for fiscal years ended June 30, 2011, 2010 and 2009 were \$747, \$1,213 and \$1,173, respectively.

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Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2011

Note 12 - Debt

The County's debt activity for the year ended December 31, 2011 was as follows:

	Restated Outstanding 12/31/2010	Additions	Reductions	Outstanding 12/31/2011	Amounts Due Within One Year
Governmental Activities:					
<i>Special Assessment Bonds:</i>					
Stop Nine Sanitary Sewer-1993, \$559,200, 5%	\$ 46,800	\$ 0	\$ (1,100)	\$ 45,700	\$ 1,200
Sundew and Zane Waterline-1996, \$84,000, 4.95%	38,427	0	(5,030)	33,397	5,279
Cedar Hills Sewer-1996, \$171,785, 4.95%	61,365	0	(11,144)	50,221	11,696
Eastmoor Sanitary Sewer-1998, \$186,000, 4.5%	94,500	0	(10,100)	84,400	10,500
Wolf's Den Road Waterline-2000, \$63,880, 6%	31,940	0	(3,194)	28,746	3,194
State Route 313 Sewer-2006, \$200,000, 4.20-5.25%	180,000	0	(5,000)	175,000	10,000
<i>Total Special Assessment Bonds</i>	<u>453,032</u>	<u>0</u>	<u>(35,568)</u>	<u>417,464</u>	<u>41,869</u>
<i>General Obligation Bonds:</i>					
Various Purpose Refunding and Improvement					
Serial Bonds-2003, 2.00-5.00%, \$7,260,000	2,630,000	0	(575,000)	2,055,000	310,000
Various Purpose Refunding and Improvement					
Term Bonds-2003, 2.00-5.00%, \$3,825,000	3,825,000	0	0	3,825,000	0
Public Improvement-1996, \$124,959, 4.95%	60,206	0	(3,826)	56,380	13,025
Ohio State University Extension Building					
Series 2007, \$200,000, 5.75%	182,406	0	(6,562)	175,844	6,944
Engineer's Garage Bond-2008, \$205,000, 3.89%	86,954	0	(62,143)	24,811	24,811
Energy Conservation Bonds-2010, \$750,000, 3.06%	750,000	0	(150,000)	600,000	150,000
Courthouse Renovation Bonds-2011, \$750,000, 2.94%	0	750,000	(75,000)	675,000	150,000
<i>Total General Obligation Bonds</i>	<u>7,534,566</u>	<u>750,000</u>	<u>(872,531)</u>	<u>7,412,035</u>	<u>654,780</u>
<i>OPWC Loans:</i>					
OPWC Loan-2007, \$53,257, 0%	46,601	0	(2,663)	43,938	2,663
Total Governmental Activities	<u>\$ 8,034,199</u>	<u>\$ 750,000</u>	<u>\$(910,762)</u>	<u>\$ 7,873,437</u>	<u>\$ 699,312</u>

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2011

	Outstanding 12/31/2010	Additions	Reductions	Outstanding 12/31/2011	Amounts Due Within One Year
Business-Type Activities:					
<i>General Obligation Bonds:</i>					
Kimbolton Waterline - 1992, \$142,000, 5.75%	\$ 91,300	\$ 0	\$ (2,700)	\$ 88,600	\$ 2,800
North Salem Waterline - 1994, \$450,000, 5%	324,500	0	(9,200)	315,300	9,700
Route 40 East Waterline - 2008, \$2,839,000, 4.42%	2,671,847	0	(64,345)	2,607,502	67,221
<i>Total General Obligation Bonds</i>	<u>3,087,647</u>	<u>0</u>	<u>(76,245)</u>	<u>3,011,402</u>	<u>79,721</u>
 <i>OWDA Loans:</i>					
Water Fund OWDA - 2006, \$288,657, 2%	219,618	4,858	0	224,476	6,449
Water Fund OWDA - 2009, \$69,134, 2%	57,408	0	(2,511)	54,897	2,562
Water Fund OWDA - 2010, \$112,010, 3.27%	93,794	0	(3,386)	90,408	3,498
Sewer Fund OWDA - 2007, \$565,176, 4.67%	481,710	10,892	(492,602)	0	0
Sewer Fund OWDA - 2011, \$1,984,747, 1%	0	488,413	0	488,413	0
<i>Total OWDA Loans</i>	<u>852,530</u>	<u>504,163</u>	<u>(498,499)</u>	<u>858,194</u>	<u>12,509</u>
 USDA Loan - 2011, \$3,641,000, 3.75%	0	108,551	0	108,551	0
 Total Business-Type Activities	<u>\$ 3,940,177</u>	<u>\$ 612,714</u>	<u>\$ (574,744)</u>	<u>\$ 3,978,147</u>	<u>\$ 92,230</u>

Governmental Activities

Special Assessment Bonds – As of December 31, 2011, the County has \$417,464 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 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, 2011 are as follows:

Year ending December 31	Principal	Interest	Total
2012	\$ 41,869	\$ 20,438	\$ 62,307
2013	43,209	18,428	61,637
2014	44,791	16,341	61,132
2015	45,964	14,174	60,138
2016	27,299	11,182	38,481
2017-2021	108,632	40,536	149,168
2022-2026	85,700	18,479	104,179
2027-2031	13,500	3,720	17,220
2032-2033	6,500	490	6,990
Totals	<u>\$ 417,464</u>	<u>\$ 143,788</u>	<u>\$ 561,252</u>

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2011

General Obligation Bonds – As of December 31, 2011, the County has \$7,412,035 in general obligation bonded debt outstanding that is being retired by the Bond Retirement Debt Service Fund. During fiscal year 2008, the County entered into 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 percent. The bond was entered into with an issuance cost of \$4,525.

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 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	<u>480,000</u>		
Total	<u>\$ 2,185,000</u>	Total	<u>\$ 885,000</u>

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 Cash Financial Statements
For the Year Ended December 31, 2011

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.

On October 29, 2007, the County issued bonds in the amount of \$200,000. The bonds were issued for the purpose of constructing an office building for the Ohio State University Extension Services. The bonds were issued for a 20 year period at a 5.75 percent interest rate.

On September 22, 2010, the County issued bonds in the amount of \$750,000. The bonds were issued for the purpose of paying the costs of installations, modifications and remodeling of County buildings to conserve energy. The bonds were issued for a five year period at a 3.06 percent interest rate.

On March 2, 2011, the County issued bonds in the amount of \$750,000. The bonds were issued for the purpose of paying costs of renovating, rehabilitating and otherwise improving the County Courthouse. The bonds were issued for a five year period at a 2.94 percent interest rate.

At the end of 2010, the County reported an ending balance on the Engineer's Garage Bonds of \$101,857. It was determined the County had made an additional payment during 2010. At December 30, 2010, the balance of the bonds should have been \$86,954. The beginning balance has been restated to reflect this.

Principal and interest requirements to retire the general obligation bonds outstanding at December 31, 2011 are as follows:

Year Ending December 31	Principal	Interest
2012	\$ 654,780	\$ 322,298
2013	639,534	297,588
2014	654,081	275,396
2015	663,609	250,306
2016	458,202	227,660
2017-2021	2,136,801	855,459
2022-2026	1,703,775	317,320
2027-2028	501,253	33,779
Totals	\$ 7,412,035	\$ 2,579,806

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2011

OPWC Loans – As of December 31, 2011, the County has \$43,938 in Ohio Public Works Commission loans outstanding. This loan was entered into for various road paving projects within the County and will be repaid from the Bond Retirement Debt Service Fund. This loan is interest free. Principal requirements to retire the OPWC loans outstanding at December 31, 2011 are as follows:

Year Ending December 31	Principal
2012	\$ 2,663
2013	2,663
2014	2,663
2015	2,663
2016	2,663
2017-2021	13,314
2022-2026	13,315
2027-2028	3,994
Totals	<u>\$ 43,938</u>

Business-Type Activities:

General Obligation Bonds – As of December 31, 2011, the County has \$3,011,402 in general obligation bonded debt outstanding. The bonds were issued to construct lines and a building associated with the County water system. These bonds will be repaid from revenues derived by the County from the operation of the water system.

Principal requirements to retire the general obligation bonds outstanding at December 31, 2011 are as follows:

Year Ending December 31	Principal	Interest
2012	\$ 79,721	\$ 140,638
2013	83,325	136,988
2014	87,264	133,172
2015	91,143	128,174
2016	95,368	124,999
2017-2021	546,527	555,288
2022-2026	683,577	417,959
2027-2031	839,036	244,991
2032-2034	505,441	47,435
Totals	<u>\$ 3,011,402</u>	<u>\$ 1,929,644</u>

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2011

Ohio Water Development Authority (OWDA) Loans - The County has pledged future customer revenues, net of specified operating expenses, to repay \$858,194 in OWDA loans issued from 2006 to 2011. Proceeds from these loans provided financing for various water and sewer projects. The loans are payable solely from customer net revenues and are payable through 2030. Net revenues include all revenues received by the water utility less all operating expenses other than depreciation expense. Annual principal and interest payments, as a percentage of net customer revenues, on the loans are expected to be similar over the term of the loans as in the current year, which were 51.16 percent. The total principal and interest remaining to be paid on the loans is \$939,814. Principal and interest paid for the current year and total net revenues were \$507,532 and \$992,133, respectively.

In 2006, the County entered into an OWDA loan for the purpose of updating the Guernsey County eastern water system.

The County entered into an OWDA loan in 2009 for the state route 313 waterline extension project.

The County entered into an OWDA loan in 2010 for the purpose of waterline construction.

In 2007, the County entered into an OWDA loan to finance various sewer projects.

The County entered into an OWDA loan in 2011 for the Buffalo/Derwent sewer construction project. At December 31, 2011 the loan had not been fully disbursed and the amortization schedule is not complete. Therefore, this loan is not reflected in the schedule below.

Principal and interest requirements to retire the Enterprise Funds OWDA loans outstanding at December 31, 2011 are as follows:

Year Ending December 31	Principal	Interest
2012	\$ 12,509	\$ 8,615
2013	19,467	8,187
2014	19,904	7,750
2015	20,353	7,303
2016	20,813	6,843
2017-2021	111,331	26,943
2022-2026	124,552	13,726
2027-2030	40,852	2,253
Totals	\$ 369,781	\$ 81,620

USDA Loan – During 2011, the County entered into a loan agreement with the United States Department of Agriculture (USDA) for the Buffalo/Derwent sewer construction project. The award amount of the loan is \$3,641,000 and was issued with an interest rate of 3.75 percent. The loan will be repaid over a forty year period. At December 31, 2011, the County only received proceeds of \$108,551. The amortization schedule is not available at this time.

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2011

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 – Contractual Commitments

At December 31, 2011, the County had contractual commitments for the following projects:

	Contractual Commitment	Expended	Balance at 12/31/11
County Pavement Marking Project	\$ 714,664	\$ 148,378	\$ 566,286
Structural Load Rating Project	6,845	0	6,845
Buffalo Derwent Sewer Construction	7,369,567	955,940	6,413,627
Courthouse Renovation - Front Steps	43,392	3,399	39,993
	\$ 8,134,468	\$ 1,107,717	\$ 7,026,751

Note 14 – Interfund Activity

A. Interfund Transfers

During 2011 the following transfers were made:

Transfers To	Transfers From				Total
	General	Motor Vehicle & Gas Tax	Other Governmental	Water	
General	\$ 0	\$ 0	\$ 11,245	\$ 0	\$ 11,245
Public Assistance	131,487	0	0	0	131,487
Motor Vehicle & Gas Tax	24,984	0	0	0	24,984
Other Governmental	505,129	65,500	0	163,147	733,776
Water	5	0	0	0	5
Non-Major Enterprise	44,141	0	0	0	44,141
<i>Total Transfers</i>	\$ 705,746	\$ 65,500	\$ 11,245	\$ 163,147	\$ 945,638

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.

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2011

The General Fund, Water Fund and Motor Vehicle and Gas Tax Fund transferred \$193,119, \$163,147 and \$65,500, respectively, to the Bond Retirement Fund for debt payments. The Court Fund transferred \$11,245 to the General Fund to cover probation department per court order dated August 11, 2010. All other transfers were made from the General Fund to various other funds to provide additional resources for current operations.

B. Interfund Advances

During the year, the General Fund advanced \$11,742 and \$338,000 to Other Governmental Funds and the Sewer Fund, respectively. The Court Fund advanced \$2,000 to the VOCA Grant Fund and the Emergency Management Fund advanced \$518 to the Homeland Security Fund. All advances were to cover costs in the funds where receipts were not received by December 31. These advances will be repaid once the anticipated receipts are received. All advances are expected to be repaid within one year.

Note 15 – 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.

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Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2011

Note 16 – Fund Balances

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

	General	Public Assistance	Motor Vehicle and Gas Tax	Board of Developmental Disabilities	Other Governmental Funds	Total
Nonspendable for:						
Unclaimed Monies	\$ 77,645	\$ 0	\$ 0	\$ 0	\$ 0	\$ 77,645
Restricted for:						
Debt Service	0	0	0	0	228,755	228,755
Capital Outlay	0	0	0	0	150,169	150,169
Public Works	0	0	1,029,688	0	0	1,029,688
Human Services	0	446,116	0	0	1,515,431	1,961,547
Health Services	0	0	0	11,618,165	0	11,618,165
Other Purposes	0	0	0	0	1,976,152	1,976,152
Total Restricted	0	446,116	1,029,688	11,618,165	3,870,507	16,964,476
Committed for:						
Capital Outlay	0	0	0	0	213,661	213,661
Other Purposes	0	0	0	0	1,426	1,426
Total Committed	0	0	0	0	215,087	215,087
Assigned for:						
Encumbrances Subsequent Year	138,880	0	0	0	0	138,880
Appropriations	693,153	0	0	0	0	693,153
Capital Outlay	0	0	0	0	684,391	684,391
Other Purposes	0	0	0	0	0	0
Total Assigned	832,033	0	0	0	684,391	1,516,424
Unassigned	684,802	0	0	0	0	684,802
Total Fund Balance	\$ 1,594,480	\$ 446,116	\$ 1,029,688	\$ 11,618,165	\$ 4,769,985	\$ 19,458,434

Note 17 – 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 2011. 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 2011, 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 Cash Financial Statements
For the Year Ended December 31, 2011

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 2011, 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 Department of 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 "Individuals with Disabilities Education Act of 2004", 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 2011, 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 2011, 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.

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2011

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 2011, 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 Department of 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 2011, 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 2011, the County made no contribution to OMEGA.

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 2011, the County made a contribution of \$5,368 to the Cambridge Guernsey County Visitors and Convention Bureau.

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2011

J. 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 2011, 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 2011, the EOCC received no monies from Guernsey County. The continued existence of the EOCC is not dependent on the County's continued participation and the County does not have an equity interest in or a financial responsibility for the EOCC. The EOCC has no outstanding debt.

L. Southeast Area Transit (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 2011, Guernsey County made no contribution to SAT. 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 18 – 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 2011, 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 2011, the County made no contributions to the Cambridge Metropolitan Housing Authority.

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 2011, the County made a contribution of \$25,000 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 2011, the County contributed \$17,832 to the Airport Authority.

Note 19 – Public Entity Risk Pools

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

The County Risk Sharing Authority, Inc. (CORSA) is a jointly governed organization among 62 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.

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 20 – Contingent Liabilities

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

Note 21 – Subsequent Events

On September 5, 2011, the County Commissioners passed a resolution providing for the issuance and sale of bonds in the maximum principal amount of \$5,690,000 for the purpose of refunding certain outstanding various purpose refunding and improvement bonds, Series 2003 at a lower interest rate.

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GUERNSEY COUNTY

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
National School Lunch Program			
Non-Cash Assistance (Food Distribution)	N/A	10.555	\$ 1,358
Cash Assistance	071118-LLPA-4	10.555	4,901
Total National School Lunch Program			<u>6,259</u>
Total Child Nutrition Cluster			6,259
<i>Passed Through Ohio Department of Jobs and Family Services</i>			
Supplemental Nutrition Assistance Program Cluster:			
State Administrative Matching Grants	G-1011-11-5044/G-1213-11-0044	10.561	366,437
<i>Direct Program</i>			
Water and Waste Disposal System for Rural Communities	N/A	10.760	<u>108,551</u>
Total U.S. Department of Agriculture			481,247
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through Ohio Department of Development</i>			
Community Development Block Grants - Entitlement Grant	B-Z-08-1BL-1	14.218	16,798
Community Development Block Grants-State's Program	B-C-09-1BB-1	14.228	54,885
	B-F-08-1BB-1		113,818
	B-F-10-1BB-1		160,500
	B-W-08-1BB-1		<u>152,799</u>
Total Community Development Block Grant-State's Program			482,002
Home Investment Partnership Program	B-C-09-1BB-2	14.239	<u>93,907</u>
Total U.S. Department of Housing and Urban Development			592,707
U.S. DEPARTMENT OF JUSTICE			
<i>Passed Through Ohio Office of Criminal Justice Services</i>			
Edward Byrne Memorial Justice Assistance Grant	2010-JG-C01-6867	16.738	23,445
ARRA - Edward Byrne Memorial Justice Assistance Grant	2009-RA-C01-2075	16.803	<u>21,155</u>
Total U.S. Department of Justice			44,600
U.S. DEPARTMENT OF LABOR			
<i>Passed Through Workforce Investment Act Area 7</i>			
Unemployment Insurance	N/A	17.225	6,303
Workforce Investment Act (WIA) Cluster:			
WIA Adult Programs	N/A	17.258	148,571
WIA Adult Programs - Admin	N/A		16,136
ARRA - WIA Adult Programs	N/A		<u>133,847</u>
Total WIA Adult Programs			298,554
WIA Youth Activities	N/A	17.259	186,114
WIA Youth Activities - Admin	N/A		<u>12,761</u>
Total WIA Youth Activities			198,875
WIA Dislocated Workers	N/A	17.260	66,787
WIA Dislocated Workers - Admin	N/A	17.260	14,377
WIA Dislocated Workers	N/A	17.278	<u>24,844</u>
Total WIA Dislocated Workers			106,008
WIA National Emergency Grants	N/A	17.277	85,698
WIA National Emergency Grants - Admin	N/A		<u>1,572</u>
Total WIA National Emergency Grant			87,270
Total Workforce Investment Act Cluster			690,707
Disabled Veterans' Outreach Program	N/A	17.801	470
Local Veterans' Employment Representative Program	N/A	17.804	<u>34</u>
Total U.S. Department of Labor			697,514

GUERNSEY COUNTY

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Construction	PID 81922	20.205	\$ 329,731
	PID 87270		6,701
	PID 82214		20,018
	PID 88870		17,693
	PID 82425		148,378
	PID 90485		19,380
Total Highway Planning and Construction			<u>541,901</u>
Total U.S. Department of Transportation			541,901
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Special Education Cluster:			
Special Education - Grants to States	071118-6BSF	84.027	4,168
ARRA - Special Education - Grants to States	071118-6BSF	84.391	22,999
Total Special Education Cluster			<u>27,167</u>
Early Intervention Services (IDEA) Cluster			
Special Education - Grants for Infants and Families	2012	84.181	55,639
ARRA - Special Education - Grants for Infants and Families	2012	84.393	30,394
Total Special Education - Grants for Infants and Families			<u>86,033</u>
Total U.S. Department of Education			113,200
U.S. ELECTION ASSISTANCE COMMISSION			
<i>Passed Through Ohio Secretary of State</i>			
Help America Vote Act Requirements Payments	N/A	90.401	<u>1,190</u>
Total U.S. Election Assistance Commission			1,190
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Secretary of State</i>			
Voting Access for Individuals with Disabilities - Grants to States	06-SOS-HHHS-30	93.617	1,438
<i>Passed Through Ohio Department of Developmental Disabilities</i>			
Social Services Block Grant	2011	93.667	31,692
Medical Assistance Program	MAC/CAFS	93.778	143,010
ARRA - Medical Assistance Program	EFMAP		29,500
Total Medical Assistance Program			<u>172,510</u>
<i>Passed through Ohio Department of Jobs and Family Services</i>			
Promoting Safe and Stable Families	G-1011-11-5045/G-1213-11-0045	93.556	158,948
Temporary Assistance for Needy Families	G-1011-11-5044/G-1213-11-0044	93.558	1,560,620
Child Support Enforcement	G-1011-11-5044/G-1213-11-0044	93.563	1,143,511
Community-Based Child Abuse Prevention Grant	G-1011-11-5045/G-1213-11-0045	93.590	2,136
CCDF Cluster:			
Child Care and Development Block Grant	G-1011-11-5044/G-1213-11-0044	93.575	32,084
Child Care Mandatory and Matching Funds	G-1011-11-5044/G-1213-11-0044	93.596	34,303
Total CCDF Cluster			<u>66,387</u>

GUERNSEY COUNTY

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)			
<i>Passed through Ohio Department of Jobs and Family Services (Continued)</i>			
Child Welfare Services-State Grants	G-1011-11-5044/G-1213-11-0044	93.645	\$ 126,346
Foster Care - Title IV-E	G-1011-11-5045/G-1213-11-0045	93.658	841,900
ARRA - Foster Care - Title IV-E			<u>19,095</u>
Total Foster Care - Title IV-E			860,995
Adoption Assistance	G-1011-11-5045/G-1213-11-0045	93.659	201,646
Social Services Block Grant	G-1011-11-5044/G-1213-11-0044	93.667	257,538
Chafee Foster Care Independence Program	G-1011-11-5045/G-1213-11-0045	93.674	3,020
Children's Health Insurance Program	G-1011-11-5044/G-1213-11-0044	93.767	3,403
Medical Assistance Program	G-1011-11-5044/G-1213-11-0044	93.778	<u>520,305</u>
Total U.S. Department of Health and Human Services			5,110,495
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Passed Through Ohio Emergency Management Agency</i>			
Emergency Management Performance Grants	2010-EP-00-0003	97.042	24,117
	EMW-2011-EP-00003-S01		<u>20,466</u>
Total Emergency Management Performance Grants			44,583
Homeland Security Grant Program	2008-GE-T8-0025	97.067	25,732
	2009-SS-T9-0089		<u>6,650</u>
Total Homeland Security Grant Program			<u>32,382</u>
Total U.S. Department of Homeland Security			<u>76,965</u>
Total Federal Awards Expenditures			<u>\$ 7,659,819</u>

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

GUERNSEY COUNTY

NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE FISCAL YEAR ENDED DECEMBER 31, 2011

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SUBRECIPIENTS

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

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

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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

NOTE F - MATCHING REQUIREMENTS

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

NOTE I – OHIO DEPARTMENT OF DEVELOPMENTAL DISABILITIES ADJUSTMENTS

During the calendar year, the County received a deferred payment from the Ohio Department of Developmental Disabilities (DODD) for the Medicaid program (CFDA #93.778) in the amount \$192,766. The deferred payment was for Medicaid Administrative Claiming (MAC) and Wavier Administrative Claiming (WAC) expenses the County incurred in prior reporting periods due to an increase of federal funding received by DODD to reimburse these expenses and also due to changes in the County's Medicaid Eligibility Rate (MER) for certain activity codes within MAC/WAC. This revenue is not listed on the County's Schedule of Federal Awards since the underlying expenses occurred in prior report periods.



Dave Yost • Auditor of State

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

Guernsey County
627 Wheeling Avenue
Cambridge, Ohio 43725

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Guernsey County, Ohio (the County), as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 10, 2012, wherein we noted the County uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted the County omitted the financial data for the County's legally separate component units. In addition, we noted the County has adopted Government Accounting Standards Board Statement No. 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-03 described in the accompanying Schedule of Findings to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2011-04 described in the accompanying Schedule of Findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2011-01 through 2011-04.

We also noted certain matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated September 10, 2012.

The County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the County's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the audit committee, the Board of County Commissioners, federal awarding agencies and pass-through entities, and others within the County. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

September 10, 2012



Dave Yost • Auditor of State

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

Guernsey County
627 Wheeling Avenue
Cambridge, Ohio 43725

To the Board of County Commissioners:

Compliance

We have audited the compliance of Guernsey County, Ohio (the County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the County's major federal programs for the year ended December 31, 2011. The *Summary of Auditor's Results* section of the accompanying Schedule of Findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the County's compliance based on our audit.

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

As described in finding 2011-05 in the accompanying Schedule of Findings, the County did not comply with requirements regarding cash management applicable to its Community Development Block Grant major federal program. Compliance with this requirement is necessary, in our opinion, for the County to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, Guernsey County complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the 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 the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as item 2011-05 to be a material weakness.

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

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



Dave Yost
Auditor of State

September 10, 2012

GUERNSEY COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Qualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Workforce Investment Act Cluster, CFDA Nos. 17.258, 17.259, 17.260, 17.277, and 17.278 Temporary Assistance for Needy Families, CFDA No. 93.558 Foster Care (Title IV-E), CFDA No. 93.658 Community Development Block Grant – State's Program, CFDA No. 14.228 Highway Planning and Construction, CFDA No. 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?	No

GUERNSEY COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011
(Continued)

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

FINDING NUMBER 2011-01

Finding for Recovery Repaid Under Audit

Policy Handbook for Employees of Guernsey County, Ohio approved March 27, 2000, effective April 1, 2000, Section V. Part D Paragraph 6 states that if an employee is required to work on a holiday, she shall receive her holiday pay plus pay for time actually worked on the holiday. If time actually worked on a holiday is not overtime, the employee's pay for the time worked shall be her regular straight-time rate.

In 2011, the Administrative Assistant, Teresa Yakubik, of the Countryview Assisted Living Center (County Home) was paid for working all holidays during the year; however, no documentation was maintained indicating she actually worked the holidays or was approved to work the holidays. As a result, the Administrative Assistant was paid for an additional 92 hours of holiday pay totaling \$845.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Teresa Yakubik in the amount of \$845 and in favor of the Guernsey County Countryview Assisted Living Fund.

On September 10, 2012, Teresa Yakubik repaid the Guernsey County Countryview Assisted Living Fund in the amount of \$845 by cashier's check.

Official's Response: The Administrative Assistant was paid 2011 holiday pay in the same manner as other employees of Countryview. However, absent a written contract, this finding for recovery was issued. Therefore, reimbursement was made to the County for the overpayment error and a written contract will be completed for the Administrative Assistant.

FINDING NUMBER 2011-02

Noncompliance

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

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

GUERNSEY COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011
(Continued)

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

FINDING NUMBER 2011-02 (Continued)

Noncompliance (Continued)

1. "Then and Now" certificate - If the fiscal officer (County Auditor) can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the County can authorize the drawing of a warrant for the payment of the amount due. The County has thirty days from receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$100 may be paid by the County Auditor without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the County.

2. Blanket Certificates - Fiscal officers may prepare so-called "blanket" certificates not running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Purchase orders may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

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

Although the obligations paid by the County had a statement indicating the purchase was lawfully appropriated or in the process of collection to the credit of an appropriate fund, and free from any previous encumbrance, this certification of available funds was not obtained prior to incurring the obligation for eight percent of the expenditures we tested in 2011, and there was no evidence that the County followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

We recommend the County obtain the Auditor's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The County Auditor should sign the certification at the time the County incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

GUERNSEY COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011
(Continued)

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

FINDING NUMBER 2011-02 (Continued)

Noncompliance (Continued)

Official's Response: The County is continuing to make a priority of certifying that funds are available prior to incurring obligations. In 2011, there was a .5% reduction in noncompliance, compared to 2010, due to careful oversight and continuing training of department personnel in proper procedures.

FINDING NUMBER 2011-03

Noncompliance and Material Weakness

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

Ohio Admin. Code Section 117-2-03(B) requires the County to file its annual financial report pursuant to generally accepted accounting principles. However, the County prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. In addition, the County failed to include the activity of its component units in its annual financial report pursuant to generally accepted accounting principles. Guernsey Industries, Inc. reports under generally accepted accounting principles. Guernsey County Port Authority reports using the regulatory cash basis of accounting and receives two year audits. The Government Audit Quality Center does not allow different accounting bases to be used. Pursuant to Ohio Rev. Code Section 117.38, the County may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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

Official's Response: Guernsey County has not filed GAAP financial statements, as the cost related to GAAP filing seems to outweigh any benefit to be realized by management or users of the financial statements.

FINDING NUMBER 2011-04

Noncompliance and Significant Deficiency

Ohio Rev. Code Section 5705.40 requires any amended or supplemental appropriation measure to comply with all provisions of law governing the taxing authority in making an original appropriation. In addition, *C. B. Transportation, Inc. v. Butler County Board of Mental Retardations*, 60 Ohio Misc. 71, 397 N.E.2d 781 (C.P. 1979), as well as *Burkholder v. Lauber*, 6 Ohio Misc. 152 (1965), held that a board or officer whose judgment and discretion is required, was chosen because they were deemed fit and competent to exercise that judgment and discretion and unless power to substitute another in their place has been given, such board or officer cannot delegate these duties to another.

GUERNSEY COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011
(Continued)

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

FINDING NUMBER 2011-04 (Continued)

Noncompliance and Significant Deficiency (Continued)

Also, Ohio Rev. Code Section 5705.41(B) prohibits each subdivision from expending money unless it has been appropriated, and Ohio Rev. Code Section 5705.39 states, in part, that the total appropriations from each fund shall not exceed the total estimated resources.

On March 7, 2011, the County Commissioners approved the annual appropriation resolution, which was determined by the County to constitute approval for all appropriation amendments during 2011 and thereafter. Based upon this, the County filed and posted appropriation amendments to the County accounting ledgers throughout 2011. These appropriation amendments were not separately approved by the County Commissioners following the laws governing the adoption of the County's original appropriations. Audit adjustments, which were agreed to by management, were made to the final budget amounts on the budget and actual statements for the following funds/accounts:

General Fund – General Government – Legislative & Executive	(\$96,007)
General Fund – General Government – Judicial	5,146
General Fund – Public Safety	(2,097)
General Fund – Other	(1,411)
General Fund – Capital Outlay	107
General Fund – Transfers Out	52,644
General Fund – Advances Out	(11,742)
Public Assistance – Human Services	1,970,229
Public Assistance – Capital Outlay	(92,419)
Motor Vehicle and Gasoline Tax Fund – Public Works	(59,994)
Motor Vehicle and Gasoline Tax Fund – Capital Outlay	(55,009)
Motor Vehicle and Gasoline Tax Fund – Debt Service – Principal	(100)
Board of Developmental Disabilities Fund - Health	58,577

This resulted in appropriations being in excess of estimated resources for the major Public Assistance Fund by \$1,768,850 and the major Water Fund by \$796,914. In addition, contrary to Ohio Rev. Code Section 5705.41(B), the County's expenditures were in excess of appropriations for the year ending December 31, 2011 in the following funds (variance): County Home Fund (\$20,165) and Senior Citizens Levy Fund (\$60,421).

We recommend the County approve any modifications to the County's appropriations following the same requirements used in adopting the County's original appropriations.

Official's Response: No appropriation made during FY11 from any fund exceeded the amount authorized by the annual appropriation resolution or the amounts approved by the Budget Commission for amended certificates. Additionally, every amended certificate, transfer or advance was approved by resolution of the County Commissioners. Therefore, the County assessed the expenditures as legal and compliant with the requirements of the Ohio Compliance Supplement. However, the County will insert language into the Commissioners' meeting minutes to verify approval of increases or reductions.

GUERNSEY COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011
(Continued)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Finding Number	2011-05
CFDA Title and Number	Community Development Block Grant – State's Program, CFDA No. 14.228
Federal Award Number / Year	B-C-09-1BB-1 / B-F-08-1BB-1 / B-F-10-1BB-1 / B-W-08-1BB-1
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Noncompliance and Material Weakness

24 C.F.R. Section 85.21(c) and Section (A)(3)(f) of the Ohio Department of Development, Office of Housing and Community Partnership's Financial Management Rules and Regulations Handbook, require grantees to develop a cash management system to ensure compliance with the Fifteen Day Rule relating to prompt disbursement of funds. This rule states that fund draw downs should be limited to amounts that will enable the grantee to disburse funds on hand to a balance of less than \$5,000 within fifteen days of receipt. Lump sum draw downs are not permitted.

The State of Ohio Department of Development, Office of Housing and Community Partnership Financial Management Rules and Regulations Handbook, Section (A)(3)(l), states that the grantee should deposit federal funds received from OHCP in a non-interest bearing account. If the grantee deposits funds in an interest bearing account, the grantee must remit to OHCP, on at least a quarterly basis, any interest earned that totals more than \$100 per year. The check must be payable to the U.S. Department of Housing and Urban Development. In addition, the grantee must, on a monthly basis, credit any interest earned to the appropriate grant. The only exception is an escrow account for rehabilitation of private property.

In 2011, draw downs were made, but the disbursements made within 15 days of receipt did not bring the balance on hand to \$5,000 for 100 percent of draw downs. Cash on hand from these draw downs was held for 3 to 235 days past the 15 allowable days, and the cash balance from these draw downs over the 15 allowable days ranged from \$9,201 to \$136,586.

Based on our testing utilizing the one percent average 2011 U.S. Treasury Current Value of Funds Rate, we estimate the imputed interest could have been \$658 for the year ended December 31, 2011.

We recommend the County monitor the cash balances in these funds to determine when and how much cash to request. This will help ensure that the monies drawn down are expended within the required time frame.

Official's Response and Corrective Action Plan: The Commissioner's office will monitor drawdown procedures and forecasting of expenses with responsible personnel to eliminate excess cash balances, by December 31, 2012.

GUERNSEY COUNTY

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315(b)
DECEMBER 31, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	A citation was issued under Ohio Admin. Code Section 117-2-03(B) and Ohio Rev. Code Section 117.38 for not preparing and filing the annual report in accordance with Generally Accepted Accounting Principles.	No	Not Corrected. Reissued in the current audit as Finding Number 2011-03.
2010-02	A citation was issued under Ohio Rev. Code Section 5705.41(D)(1) for not properly certifying funds.	No	Not Corrected. Reissued in the current audit as Finding Number 2011-02.
2010-03	A citation was issued under 24 C.F.R. Section 85.21(c) and Ohio Dept. of Development, Office of Housing and Community Partnership Financial Management Rules and Regulations Handbook, Section (A)(3)(f) for not complying with the Fifteen-Day rule.	No	Not Corrected. Reissued in the current audit as Finding Number 2011-05.

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Dave Yost • Auditor of State

GUERNSEY COUNTY 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
SEPTEMBER 27, 2012