



Dave Yost • Auditor of State

GUERNSEY COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Guernsey County
627 Wheeling Avenue
Cambridge, Ohio 43725

To the Board of County Commissioners:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We did not audit the financial statements of Guernsey Industries, Inc., which represent 53 percent, 53 percent, and 48 percent, respectively, of the assets, fund balance, and receipts of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amount included for Guernsey Industries, Inc., is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

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

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

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Aggregate Discretely Presented Component Units	Qualified
Major General Fund	Unmodified
Major Public Assistance Fund	Unmodified
Major Motor Vehicle and Gasoline Tax Fund	Unmodified
Major Board of Developmental Disabilities Fund	Unmodified
Major Sewer Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include financial data for the Guernsey County Port Authority, a legally separate component unit of the County. Accounting principles generally accepted in the United States of America require the financial data for 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. The Guernsey County Port Authority's financial activities are excluded from the County's basic financial statements as a discretely presented component unit and represents 47 percent, 47 percent and 52 percent of the assets, net position and receipts, respectively, of the County's aggregate discretely presented component units.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of Guernsey County, Ohio (the County), as of and for the year ended December 31, 2012, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

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, 2012, and the respective changes in cash financial position 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 accordance with the accounting basis described in Note 2.

Accounting Basis

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. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the County's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net position, changes in net position, and governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

The Federal Awards Expenditures Schedule (the Schedule) also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

These tables and the Schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2013, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

September 16, 2013

Guernsey County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012

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, 2012, 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 2012 are as follows:

- Net cash position of governmental activities increased \$3,345,574.
- At the end of the current year, the County's governmental funds reported a combined ending fund balance of \$22,439,938, an increase of \$2,981,504 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 Position – Cash Basis* presents information on all of Guernsey County's cash assets, presented as net position. Over time, increases or decreases in net position 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, 2012

The *Statement of Activities – Cash Basis* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position 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 position and the statement of activities, the County is divided into two kinds of activities:

Governmental Activities – Most of the County's programs and services are reported here, including general government, public safety, public works, health, human services, 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, 2012

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 position for 2012 compared to 2011.

A portion of the County's governmental activities net position, \$20,133,251, or 86 percent, represents resources that are subject to restrictions on how they can be used. The remaining balance of unrestricted net position, \$3,264,769, or 14 percent, is to be used to meet the County's ongoing obligations to citizens and creditors.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 20,916,741	\$ 17,755,809	\$ 1,466,296	\$ 1,194,388	\$ 22,383,037	\$ 18,950,197
Cash and Cash Equivalents:						
In Segregated Accounts	70,182	59,371	0	0	70,182	59,371
With Fiscal Agents	2,411,097	2,237,266	0	0	2,411,097	2,237,266
<i>Total Assets</i>	<u>23,398,020</u>	<u>20,052,446</u>	<u>1,466,296</u>	<u>1,194,388</u>	<u>24,864,316</u>	<u>21,246,834</u>
Net Position						
Restricted for:						
Capital Projects	917,678	1,038,807	0	0	917,678	1,038,807
Debt Service	239,815	228,753	0	0	239,815	228,753
Motor Vehicle Gas Tax	1,399,163	1,029,688	0	0	1,399,163	1,029,688
Public Assistance	589,131	446,116	0	0	589,131	446,116
Children Services	1,586,124	1,515,429	0	0	1,586,124	1,515,429
Developmental Disabilities	12,636,553	11,618,165	0	0	12,636,553	11,618,165
Other Purposes	2,764,787	2,064,641	0	0	2,764,787	2,064,641
Unrestricted	<u>3,264,769</u>	<u>2,110,847</u>	<u>1,466,296</u>	<u>1,194,388</u>	<u>4,731,065</u>	<u>3,305,235</u>
<i>Total Net Position</i>	<u>\$ 23,398,020</u>	<u>\$ 20,052,446</u>	<u>\$ 1,466,296</u>	<u>\$ 1,194,388</u>	<u>\$ 24,864,316</u>	<u>\$ 21,246,834</u>

Guernsey County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012

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

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Receipts:						
<i>Program Receipts:</i>						
Charges for Services	\$ 5,905,468	\$ 5,446,414	\$ 2,759,394	\$ 2,503,959	\$ 8,664,862	\$ 7,950,373
Operating Grants & Contributions	17,433,937	17,980,206	0	0	17,433,937	17,980,206
Capital Grants & Contributions	2,549,351	901,535	2,464,708	162,000	5,014,059	1,063,535
Total Program Receipts	25,888,756	24,328,155	5,224,102	2,665,959	31,112,858	26,994,114
<i>General Receipts:</i>						
Property Taxes	6,710,300	6,139,474	15,303	9,809	6,725,603	6,149,283
Permissive Sales Tax	6,886,984	6,107,836	0	0	6,886,984	6,107,836
Grants and Entitlements	968,015	1,162,090	0	0	968,015	1,162,090
Investment Earnings	264,764	270,980	0	0	264,764	270,980
General Obligation Bonds Issued	5,670,000	0	0	0	5,670,000	0
Proceeds of Loans	0	750,000	0	0	0	750,000
Proceeds of USDA Loan	0	0	3,532,449	108,551	3,532,449	108,551
Proceeds of OWDA Loans	0	0	705,895	504,163	705,895	504,163
Miscellaneous	469,710	313,330	76,853	21,904	546,563	335,234
Total General Receipts	20,969,773	14,743,710	4,330,500	644,427	25,300,273	15,388,137
Total Receipts	46,858,529	39,071,865	9,554,602	3,310,386	56,413,131	42,382,251
Program Disbursements:						
<i>General Government</i>						
Legislative and Executive	5,198,974	4,752,251	0	0	5,198,974	4,752,251
Judicial	2,923,023	2,914,423	0	0	2,923,023	2,914,423
Public Safety	3,496,690	3,667,304	0	0	3,496,690	3,667,304
Public Works	6,957,039	5,659,644	0	0	6,957,039	5,659,644
Health	6,831,455	6,727,863	0	0	6,831,455	6,727,863
Human Services	9,959,990	10,781,434	0	0	9,959,990	10,781,434
Economic Development	721,205	477,148	0	0	721,205	477,148
Other	280,116	272,458	0	0	280,116	272,458
Capital Outlay	378,083	1,446,650	0	0	378,083	1,446,650
<i>Debt Service</i>						
Principal	744,312	910,762	0	0	744,312	910,762
Refunding of Bonds to Escrow Agent	5,609,331	0	0	0	5,609,331	0
Interest and Fiscal Charges	242,047	367,790	0	0	242,047	367,790
Issuance Costs	55,680	4,250	0	0	55,680	4,250
Sewer	0	0	7,243,903	1,106,575	7,243,903	1,106,575
Water	0	0	2,153,801	1,958,313	2,153,801	1,958,313
Total Disbursements	43,397,945	37,981,977	9,397,704	3,064,888	52,795,649	41,046,865
<i>Excess/(Deficiency) Before Transfers and Advances</i>						
	3,460,584	1,089,888	156,898	245,498	3,617,482	1,335,386
<i>Transfers</i>						
Transfers	221,990	119,001	(221,990)	(119,001)	0	0
<i>Advances</i>						
Advances	(337,000)	(338,000)	337,000	338,000	0	0
Change in Net Position						
	3,345,574	870,889	271,908	464,497	3,617,482	1,335,386
<i>Net Position, Beginning of Year</i>						
	20,052,446	19,181,557	1,194,388	729,891	21,246,834	19,911,448
Net Position, End of Year						
	\$ 23,398,020	\$ 20,052,446	\$ 1,466,296	\$ 1,194,388	\$ 24,864,316	\$ 21,246,834

Guernsey County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012

Governmental Activities - Operating grants were the largest program receipts, accounting for \$17,433,937 or 37 percent of total receipts for governmental activities.

Property tax receipts accounted for \$6,710,300 or 14 percent of total governmental receipts. Another major component of general governmental receipts was permissive sales taxes, which accounted for \$6,886,984 or 15 percent of total receipts.

The County's direct charges to users of governmental services made up \$5,905,468 or 13 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 \$9,959,990 or 23 percent of total disbursements for governmental activities. Other major program disbursements for governmental activities include health, which accounted for \$6,831,455 or 16 percent of total disbursements, public works, which accounted for \$6,957,039 or 16 percent of total disbursements, and general government – legislative and executive, which accounted for \$5,198,974 or 12 percent of total disbursements.

Business-Type Activities – As of December 31, 2012, business-type funds of the County reported net position of \$1,466,296. This is an increase of \$271,908 during 2012.

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

Table 3
 Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
General Government:				
Legislative and Executive	\$ 5,198,974	\$ 4,752,251	\$ 2,186,303	\$ 2,213,368
Judicial	2,923,023	2,914,423	1,552,386	1,907,237
Public Safety	3,496,690	3,667,304	2,572,833	2,565,465
Public Works	6,957,039	5,659,644	(53,751)	232,008
Health	6,831,455	6,727,863	2,890,223	2,899,155
Human Services	9,959,990	10,781,434	1,226,866	1,123,394
Economic Development	721,205	477,148	21,956	34,489
Other	280,116	272,458	280,116	272,458
Capital Outlay	378,083	1,446,650	180,887	1,123,446
Debt Service				
Principal	744,312	910,762	744,312	910,762
Refunding of Bonds to Escrow Agent	5,609,331	0	5,609,331	0
Interest and Fiscal Charges	242,047	367,790	242,047	367,790
Issuance Costs	55,680	4,250	55,680	4,250
<i>Total Disbursements</i>	<u>\$ 43,397,945</u>	<u>\$ 37,981,977</u>	<u>\$ 17,509,189</u>	<u>\$ 13,653,822</u>

Guernsey County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012

Charges for services, operating grants and contributions, capital grants and contributions of \$25,888,756 or 60 percent of the total costs of services are received and used to fund the disbursements of the County. The remaining \$17,509,189 in disbursements is funded by property taxes, permissive sales taxes, intergovernmental receipts, interest, miscellaneous receipts, and proceeds of debt.

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, 2012, the County's governmental funds reported a combined ending fund balance of \$22,439,938, an increase of \$2,981,504 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 \$774,485 during 2012. The primary reason for the decrease was an increase in advances made to other funds during the year.

At the end of 2012 the Public Assistance Fund had a fund balance of \$589,131 in comparison to a fund balance of \$446,116 at the end of 2011. This increase is primarily due to a decrease in disbursements.

At the end of 2012 the Motor Vehicle and Gasoline Tax Fund had a fund balance of \$1,399,163 in comparison to a fund balance of \$1,029,688 at the end of 2011. This decrease is primarily due to timing of revenues as compared to project costs.

At the end of 2012 the Board of Developmental Disabilities Fund had a fund balance of \$12,636,553, in comparison to the fund balance of \$11,618,165 at the end of 2011. This increase is due to receipts consistently exceeding disbursements as a result of improving costs monitoring.

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 \$1,715,095 over the final budget due to a conservative underestimation of sale tax receipts and charges for services. Fluctuations in growth and diversity have typically not occurred in Guernsey County, allowing department managers the ability to consistently predict receipts and disbursements.

Guernsey County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012

Economic Factors

The unemployment rate for Guernsey County averaged 8.2 percent in December 2012. This rate is higher than the State of Ohio rate of 6.7 percent in December of 2012.

The County's \$651,966,280 overall assessed valuation has increased \$3,950,620 from the prior year. This increase is attributable to a triennial update and change of value on public utilities.

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 Position - Cash Basis
 December 31, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Guernsey Industries
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 20,916,741	\$ 1,466,296	\$ 22,383,037	\$ 89,274
Cash and Cash Equivalents in Segregated Accounts	70,182	0	70,182	0
Cash and Cash Equivalents with Fiscal Agent	2,411,097	0	2,411,097	0
<i>Total Assets</i>	<u>\$ 23,398,020</u>	<u>\$ 1,466,296</u>	<u>\$ 24,864,316</u>	<u>\$ 89,274</u>
Net Position				
Restricted for:				
Capital Outlay	\$ 917,678	\$ 0	\$ 917,678	0
Debt Service	239,815	0	239,815	0
Motor Vehicle and Gasoline Tax	1,399,163	0	1,399,163	0
Public Assistance	589,131	0	589,131	0
Children Services	1,586,124	0	1,586,124	0
Developmental Disabilities	12,636,553	0	12,636,553	0
Other Purposes	2,764,787	0	2,764,787	0
Unrestricted	3,264,769	1,466,296	4,731,065	89,274
<i>Total Net Position</i>	<u>\$ 23,398,020</u>	<u>\$ 1,466,296</u>	<u>\$ 24,864,316</u>	<u>\$ 89,274</u>

See accompanying notes to the basic financial statements.

Guernsey County, Ohio
Statement of Activities - Cash Basis
For the Year Ended December 31, 2012

	Cash Disbursements	Charges for Services and Sales	Program Receipts	
			Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest
Governmental Activities:				
General Government:				
Legislative and Executive	\$ 5,198,974	\$ 3,012,671	\$ 0	\$ 0
Judicial	2,923,023	1,074,790	295,847	0
Public Safety	3,496,690	337,781	586,076	0
Public Works	6,957,039	343,161	4,133,276	2,534,353
Health	6,831,455	766,620	3,174,612	0
Human Services	9,959,990	185,691	8,547,433	0
Economic Development and Assistance	721,205	2,556	696,693	0
Other	280,116	0	0	0
Capital Outlay	378,083	182,198	0	14,998
Debt Service:				
Principal Retirements	744,312	0	0	0
Payment to Refunded Bond Escrow Agent	5,609,331	0	0	0
Interest and Fiscal Charges	242,047	0	0	0
Issuance Costs	55,680	0	0	0
<i>Total Governmental Activities</i>	<u>43,397,945</u>	<u>5,905,468</u>	<u>17,433,937</u>	<u>2,549,351</u>
Business-Type Activities:				
Sewer Fund	7,243,903	470,732	0	2,464,708
Water Fund	2,153,801	2,288,662	0	0
<i>Total Business-Type Activities</i>	<u>9,397,704</u>	<u>2,759,394</u>	<u>0</u>	<u>2,464,708</u>
<i>Total - Primary Government</i>	<u>\$ 52,795,649</u>	<u>\$ 8,664,862</u>	<u>\$ 17,433,937</u>	<u>\$ 5,014,059</u>
Component Unit:				
Guernsey Industries	<u>\$ 843,577</u>	<u>\$ 343,467</u>	<u>\$ 469,213</u>	<u>\$ 0</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
- General Obligation Bonds Issued
- Proceeds of OWDA Loans
- Proceeds of USDA Loans
- Miscellaneous

Total General Receipts

- Transfers
- Advances

Total General Receipts, Advances and Transfers

Change in Net Position

Net Position, Beginning of Year, Restated (Note 20 B)

Net Position, End of Year

Net (Disbursements) Receipts and Changes in Net Position			Component Unit
Governmental Activities	Business-Type Activities	Total	Guernsey Industries
\$ (2,186,303)	\$ 0	\$ (2,186,303)	\$ 0
(1,552,386)	0	(1,552,386)	0
(2,572,833)	0	(2,572,833)	0
53,751	0	53,751	0
(2,890,223)	0	(2,890,223)	0
(1,226,866)	0	(1,226,866)	0
(21,956)	0	(21,956)	0
(280,116)	0	(280,116)	0
(180,887)	0	(180,887)	0
(744,312)	0	(744,312)	0
(5,609,331)	0	(5,609,331)	0
(242,047)	0	(242,047)	0
(55,680)	0	(55,680)	0
<u>(17,509,189)</u>	<u>0</u>	<u>(17,509,189)</u>	<u>0</u>
0	(4,308,463)	(4,308,463)	0
0	134,861	134,861	0
0	(4,173,602)	(4,173,602)	0
<u>(17,509,189)</u>	<u>(4,173,602)</u>	<u>(21,682,791)</u>	<u>0</u>
0	0	0	(30,897)
1,532,808	0	1,532,808	0
435,555	0	435,555	0
588,077	0	588,077	0
1,176,153	0	1,176,153	0
2,389,631	0	2,389,631	0
588,076	0	588,076	0
0	15,303	15,303	0
6,256,984	0	6,256,984	0
630,000	0	630,000	0
968,015	0	968,015	0
264,764	0	264,764	657
5,670,000	0	5,670,000	0
0	705,895	705,895	0
0	3,532,449	3,532,449	0
469,710	76,853	546,563	25
<u>20,969,773</u>	<u>4,330,500</u>	<u>25,300,273</u>	<u>682</u>
221,990	(221,990)	0	0
(337,000)	337,000	0	0
<u>20,854,763</u>	<u>4,445,510</u>	<u>25,300,273</u>	<u>682</u>
3,345,574	271,908	3,617,482	(30,215)
<u>20,052,446</u>	<u>1,194,388</u>	<u>21,246,834</u>	<u>119,489</u>
<u>\$ 23,398,020</u>	<u>\$ 1,466,296</u>	<u>\$ 24,864,316</u>	<u>\$ 89,274</u>

Guernsey County, Ohio
Statement of Cash Basis Assets and Fund Balances
 Governmental Funds
 December 31, 2012

	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	\$ 2,361,740	\$ 589,131	\$ 1,399,163	\$ 10,225,456	\$ 5,383,169	\$ 19,958,659
Cash and Cash Equivalents in Segregated Accounts	7,225	0	0	0	62,957	70,182
Cash and Cash Equivalents with Fiscal Agent	0	0	0	2,411,097	0	2,411,097
<i>Total Assets</i>	<u>\$ 2,368,965</u>	<u>\$ 589,131</u>	<u>\$ 1,399,163</u>	<u>\$ 12,636,553</u>	<u>\$ 5,446,126</u>	<u>\$ 22,439,938</u>
Fund Balances						
Nonspendable	\$ 62,278	\$ 0	\$ 0	\$ 0	\$ 0	\$ 62,278
Restricted	0	589,131	1,399,163	12,636,553	4,744,265	19,369,112
Committed	0	0	0	0	14,507	14,507
Assigned	1,851,263	0	0	0	687,354	2,538,617
Unassigned	455,424	0	0	0	0	455,424
<i>Total Fund Balances</i>	<u>\$ 2,368,965</u>	<u>\$ 589,131</u>	<u>\$ 1,399,163</u>	<u>\$ 12,636,553</u>	<u>\$ 5,446,126</u>	<u>\$ 22,439,938</u>

See accompanying notes to the basic financial statements.

Guernsey County, Ohio
*Reconciliation of Total Governmental Fund Balances to
Net Position - Cash Assets of Governmental Activities
December 31, 2012*

Total Governmental Fund Balances \$ 22,439,938

*Amounts reported for governmental activities in the statement
of net position 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 position.

958,082

Net Position of Governmental Activities

\$ 23,398,020

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, 2012

	General	Public Assistance	Motor Vehicle and Gasoline Tax	Board of Developmental Disabilities	All Other Governmental Funds	Total Governmental Funds
Receipts						
Property Taxes	\$ 1,532,808	\$ 0	\$ 0	\$ 2,389,631	\$ 2,787,861	\$ 6,710,300
Sales Tax	6,256,984	0	0	0	630,000	6,886,984
Special Assessments	0	0	100,908	0	65,158	166,066
Charges for Services	2,947,930	0	123,636	78,374	1,842,536	4,992,476
Licenses and Permits	18,455	0	0	0	109,711	128,166
Fines and Forfeitures	87,699	0	193,180	0	169,913	450,792
Intergovernmental	953,639	5,274,900	3,953,100	2,930,325	7,737,551	20,849,515
Interest	264,764	0	234	0	2,282	267,280
Rent	162,500	0	0	0	68,671	231,171
Contributions and Donations	13,276	0	0	0	21,693	34,969
Other	111,901	100	96,327	20,412	242,072	470,812
<i>Total Receipts</i>	<u>12,349,956</u>	<u>5,275,000</u>	<u>4,467,385</u>	<u>5,418,742</u>	<u>13,677,448</u>	<u>41,188,531</u>
Disbursements						
Current:						
General Government:						
Legislative and Executive	4,786,084	0	0	0	527,642	5,313,726
Judicial	2,438,261	0	0	0	490,100	2,928,361
Public Safety	2,593,822	0	0	0	963,148	3,556,970
Public Works	244,052	0	4,097,130	0	2,698,975	7,040,157
Health	59,562	0	0	4,400,354	2,389,261	6,849,177
Human Services	299,326	5,220,145	0	0	4,523,381	10,042,852
Economic Development and Assistance	0	0	0	0	721,205	721,205
Other	280,116	0	0	0	0	280,116
Capital Outlay	37,790	0	0	0	340,293	378,083
Debt Service:						
Principal Retirements	0	0	2,663	0	741,649	744,312
Interest and Fiscal Charges	0	0	0	0	242,047	242,047
Issuance Costs	0	0	0	0	55,680	55,680
<i>Total Disbursements</i>	<u>10,739,013</u>	<u>5,220,145</u>	<u>4,099,793</u>	<u>4,400,354</u>	<u>13,693,381</u>	<u>38,152,686</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,610,943</u>	<u>54,855</u>	<u>367,592</u>	<u>1,018,388</u>	<u>(15,933)</u>	<u>3,035,845</u>
Other Financing Sources and (Uses)						
Transfers In	49,044	88,160	27,580	0	701,192	865,976
Transfers Out	(560,245)	0	(25,697)	0	(58,044)	(643,986)
Advances In	395,226	0	100,000	0	113,752	608,978
Advances Out	(720,483)	0	(100,000)	0	(125,495)	(945,978)
Refunding Bonds Issued	0	0	0	0	5,670,000	5,670,000
Payment to Refunded Bond Escrow Agent	0	0	0	0	(5,609,331)	(5,609,331)
<i>Total Other Financing Sources and (Uses)</i>	<u>(836,458)</u>	<u>88,160</u>	<u>1,883</u>	<u>0</u>	<u>692,074</u>	<u>(54,341)</u>
<i>Net Change in Fund Balance</i>	774,485	143,015	369,475	1,018,388	676,141	2,981,504
<i>Fund Balance, Beginning 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>
<i>Fund Balance, End of Year</i>	<u>\$ 2,368,965</u>	<u>\$ 589,131</u>	<u>\$ 1,399,163</u>	<u>\$ 12,636,553</u>	<u>\$ 5,446,126</u>	<u>\$ 22,439,938</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, 2012*

Net Change in Fund Balances - Total Governmental Funds \$ 2,981,504

*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 is 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.

364,070

Change in Net Position of Governmental Activities

\$ 3,345,574

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, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
Receipts				
Property Taxes	\$ 1,470,414	\$ 1,470,414	\$ 1,499,910	\$ 29,496
Sales Taxes	5,276,601	5,623,213	6,256,984	633,771
Charges for Services	1,732,643	1,897,642	2,606,875	709,233
Licenses and Permits	7,650	7,650	18,455	10,805
Fines and Forfeitures	80,000	80,000	87,699	7,699
Intergovernmental	838,941	957,061	953,639	(3,422)
Interest	275,000	275,000	264,764	(10,236)
Rent	167,300	167,300	162,500	(4,800)
Contributions and Donations	0	5,058	13,276	8,218
Other	68,067	68,067	100,638	32,571
<i>Total Receipts</i>	<u>9,916,616</u>	<u>10,551,405</u>	<u>11,964,740</u>	<u>1,413,335</u>
Disbursements				
Current:				
General Government:				
Legislative and Executive	4,536,610	4,971,103	4,838,025	133,078
Judicial	2,254,736	2,346,237	2,250,765	95,472
Public Safety	2,618,794	2,621,335	2,640,898	(19,563)
Public Works	248,398	248,398	244,052	4,346
Health	60,802	59,840	59,562	278
Human Services	287,586	314,546	305,285	9,261
Other	272,458	280,353	280,116	237
Capital Outlay	50,195	50,000	37,790	12,210
<i>Total Disbursements</i>	<u>10,329,579</u>	<u>10,891,812</u>	<u>10,656,493</u>	<u>235,319</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(412,963)</u>	<u>(340,407)</u>	<u>1,308,247</u>	<u>1,648,654</u>
Other Financing Sources and (Uses)				
Transfers In	140,165	147,730	54,264	(93,466)
Transfers Out	(667,853)	(607,069)	(565,465)	41,604
Advances In	0	0	395,226	395,226
Advances Out	0	(714,879)	(720,483)	(5,604)
<i>Total Other Financing Sources and (Uses)</i>	<u>(527,688)</u>	<u>(1,174,218)</u>	<u>(836,458)</u>	<u>337,760</u>
<i>Net Change in Fund Balance</i>	(940,651)	(1,514,625)	471,789	1,986,414
<i>Fund Balance, Beginning of Year</i>	1,041,588	1,041,588	1,041,588	0
<i>Prior Year Encumbrances Appropriated</i>	133,628	133,628	133,628	0
<i>Fund Balance, End of Year</i>	<u>\$ 234,565</u>	<u>\$ (339,409)</u>	<u>\$ 1,647,005</u>	<u>\$ 1,986,414</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, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
Receipts				
Intergovernmental	\$ 6,612,000	\$ 5,258,224	\$ 5,274,900	\$ 16,676
Other	0	0	100	100
<i>Total Receipts</i>	<u>6,612,000</u>	<u>5,258,224</u>	<u>5,275,000</u>	<u>16,776</u>
Disbursements				
Current:				
Human Services	7,158,116	5,792,500	5,309,062	483,438
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(546,116)</u>	<u>(534,276)</u>	<u>(34,062)</u>	<u>500,214</u>
Other Financing Sources				
Transfers In	100,000	88,160	88,160	0
<i>Net Change in Fund Balance</i>	(446,116)	(446,116)	54,098	500,214
<i>Fund Balance, Beginning of Year</i>	292,570	292,570	292,570	0
<i>Prior Year Encumbrances Appropriated</i>	153,546	153,546	153,546	0
<i>Fund Balance, End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 500,214</u>	<u>\$ 500,214</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, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
Receipts				
Special Assessments	\$ 31,000	\$ 31,000	\$ 100,908	\$ 69,908
Charges for Services	39,000	39,000	123,636	84,636
Fines and Forfeitures	115,000	175,000	193,180	18,180
Intergovernmental	3,928,618	3,928,618	3,953,100	24,482
Interest	444	444	234	(210)
Other	30,000	30,000	96,327	66,327
<i>Total Receipts</i>	<u>4,144,062</u>	<u>4,204,062</u>	<u>4,467,385</u>	<u>263,323</u>
Disbursements				
Current:				
Public Works	4,321,346	4,526,346	4,124,918	401,428
Debt Service:				
Principal Retirements	2,663	2,663	2,663	0
<i>Total Disbursements</i>	<u>4,324,009</u>	<u>4,529,009</u>	<u>4,127,581</u>	<u>401,428</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(179,947)</u>	<u>(324,947)</u>	<u>339,804</u>	<u>664,751</u>
Other Financing Sources and (Uses)				
Transfers Out	(25,697)	(25,697)	(25,697)	0
Transfers In	25,080	25,080	27,580	2,500
Advance Out	0	0	100,000	100,000
Advance In	0	(100,000)	(100,000)	0
<i>Total Other Financing Sources and (Uses)</i>	<u>(617)</u>	<u>(100,617)</u>	<u>1,883</u>	<u>102,500</u>
<i>Net Change in Fund Balance</i>	(180,564)	(425,564)	341,687	767,251
<i>Fund Balance, Beginning of Year</i>	1,007,137	1,007,137	1,007,137	0
<i>Prior Year Encumbrances Appropriated</i>	22,551	22,551	22,551	0
<i>Fund Balance, End of Year</i>	<u>\$ 849,124</u>	<u>\$ 604,124</u>	<u>\$ 1,371,375</u>	<u>\$ 767,251</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, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
Receipts				
Property Taxes	\$ 2,198,923	\$ 2,198,923	\$ 2,313,457	\$ 114,534
Charges for Services	72,000	72,000	78,374	6,374
Intergovernmental	2,146,129	2,038,291	2,930,325	892,034
Other	10,500	10,500	20,412	9,912
<i>Total Receipts</i>	<u>4,427,552</u>	<u>4,319,714</u>	<u>5,342,568</u>	<u>1,022,854</u>
Disbursements				
Current:				
Health	6,988,994	7,009,033	4,557,506	2,451,527
<i>Total Disbursements</i>	<u>6,988,994</u>	<u>7,009,033</u>	<u>4,557,506</u>	<u>2,451,527</u>
<i>Net Change in Fund Balance</i>	(2,561,442)	(2,689,319)	785,062	3,474,381
<i>Fund Balance, Beginning of Year</i>	11,465,167	11,465,167	11,465,167	0
<i>Prior Year Encumbrances Appropriated</i>	5,561	5,561	5,561	0
<i>Fund Balance, End of Year</i>	<u>\$ 8,909,286</u>	<u>\$ 8,781,409</u>	<u>\$ 12,255,790</u>	<u>\$ 3,474,381</u>

See accompanying notes to the basic financial statements.

Guernsey County, Ohio
Statement of Fund Net Position - Cash Basis
Proprietary Funds
December 31, 2012

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Sewer	Nonmajor	Total	
Assets				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$ 944,140	\$ 522,156	\$ 1,466,296	\$ 958,082
	\$ 944,140	\$ 522,156	\$ 1,466,296	\$ 958,082
Net Position				
Unrestricted	\$ 944,140	\$ 522,156	\$ 1,466,296	\$ 958,082
	\$ 944,140	\$ 522,156	\$ 1,466,296	\$ 958,082

See accompanying notes to the basic financial statements.

Guernsey County, Ohio
Statement of Cash Receipts, Disbursements and Changes in Fund Net Position - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2012

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Sewer	Nonmajor	Total	
Operating Receipts				
Charges for Services	\$ 469,232	\$ 2,233,570	\$ 2,702,802	\$ 4,201,008
Tap-In Fees	1,500	55,092	56,592	0
Other	50,000	26,853	76,853	0
<i>Total Operating Receipts</i>	<u>520,732</u>	<u>2,315,515</u>	<u>2,836,247</u>	<u>4,201,008</u>
Operating Disbursements				
Personal Services	175,833	604,815	780,648	0
Contractual Services	193,052	992,524	1,185,576	621,554
Materials and Supplies	24,411	218,481	242,892	0
Claims	0	0	0	3,215,384
Capital Outlay	6,751,369	23,269	6,774,638	0
Other	8,870	64,297	73,167	0
<i>Total Operating Disbursements</i>	<u>7,153,535</u>	<u>1,903,386</u>	<u>9,056,921</u>	<u>3,836,938</u>
<i>Operating Income (Loss)</i>	<u>(6,632,803)</u>	<u>412,129</u>	<u>(6,220,674)</u>	<u>364,070</u>
Non-Operating Receipts (Disbursements)				
Proceeds of OWDA Loans	705,895	0	705,895	0
Proceeds of USDA Loans	3,532,449	0	3,532,449	0
Intergovernmental	2,464,708	0	2,464,708	0
Property Taxes	0	15,303	15,303	0
Principal Retirement	(28,482)	(96,485)	(124,967)	0
Interest and Fiscal Charges	(61,886)	(153,930)	(215,816)	0
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>6,612,684</u>	<u>(235,112)</u>	<u>6,377,572</u>	<u>0</u>
<i>Income (Loss) Before Advances and Transfers</i>	<u>(20,119)</u>	<u>177,017</u>	<u>156,898</u>	<u>364,070</u>
Advances In	714,879	0	714,879	0
Advances Out	(377,879)	0	(377,879)	0
Transfers In	0	68	68	0
Transfers Out	0	(222,058)	(222,058)	0
<i>Total Advances and Transfers</i>	<u>337,000</u>	<u>(221,990)</u>	<u>115,010</u>	<u>0</u>
<i>Change in Net Position</i>	<u>316,881</u>	<u>(44,973)</u>	<u>271,908</u>	<u>364,070</u>
<i>Net Position, Beginning of Year</i>	<u>627,259</u>	<u>567,129</u>	<u>1,194,388</u>	<u>594,012</u>
<i>Net Position, End of Year</i>	<u>\$ 944,140</u>	<u>\$ 522,156</u>	<u>\$ 1,466,296</u>	<u>\$ 958,082</u>

See accompanying notes to the basic financial statements.

Guernsey County, Ohio
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
December 31, 2012

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 0	\$ 2,848,640
Cash and Cash Equivalents in Segregated Accounts	93,510	617,476
	<u>93,510</u>	<u>617,476</u>
<i>Total Assets</i>	<u>\$ 93,510</u>	<u>\$ 3,466,116</u>
Net Position		
Held in Trust for Children Services	\$ 93,510	\$ 0
Unrestricted	0	3,466,116
	<u>93,510</u>	<u>3,466,116</u>
<i>Total Net Position</i>	<u>\$ 93,510</u>	<u>\$ 3,466,116</u>

See accompanying notes to the basic financial statements.

Guernsey County, Ohio
Statement of Changes in Fiduciary Net Position - Cash Basis
Fiduciary Funds
For the Year Ended December 31, 2012

	Private Purpose Trust
Additions	
Gifts and Contributions	\$ 6,233
Deductions	
Payments in Accordance with Trust Agreements	28,854
<i>Change in Net Position</i>	(22,621)
<i>Net Position, Beginning of Year</i>	116,131
<i>Net Position, End of year</i>	\$ 93,510

See accompanying notes to the basic financial statements.

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Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2012

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, 2012

- 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 16, 17 and 18 to the basic financial statements. These organizations are:

- Southeastern Ohio Joint Solid Waste Management District
- Guernsey-Monroe-Noble Community Action Corporation (GMN)
- Southeast Ohio Juvenile Rehabilitation District (SEOJRD)
- Guernsey County Family Service Council
- Mental Health and Recovery Services Board
- South Eastern Narcotics Team (SENT)
- Mid-East Ohio Regional Council of Governments (MEORC)
- Ohio Mid-Eastern Governments Association (OMEGA)
- Cambridge-Guernsey County Visitors and Convention Bureau
- Area Office on Aging
- Eastern Ohio Correctional Center (EOCC)
- South East Area Transit (SEAT)
- 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, 2012

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. 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 position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The 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 position 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, 2012

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, 2012

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:

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

The nonmajor water fund accounts for water 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 position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are 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, 2012

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, 2012

During 2012, 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, 2012.

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 2012 were \$264,764, which includes \$235,050 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 9 and 10, 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, 2012

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 Position

Net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include the senior citizens services, court programs, various health services, 911 system and economic development.

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

The government-wide statement of net position reports \$20,133,251 of restricted net position, 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, 2012

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. County Commissioners have by resolution authorized the County Auditor to assign fund balance. County Commissioners may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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, 2012, the County has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions – an Amendment of GASB Statement No. 53."

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the County.

GASB Statement No. 62 incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the County.

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2012

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. It also amends the net asset reporting requirements of GASB Statement No. 34 by incorporating deferred outflows and inflows into the definitions and renaming the residual measure as net position, rather than net assets.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the County.

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, a component unit, the Guernsey County Port Authority was excluded from this presentation. The County can be fined and various other administrative remedies may be taken against the County.

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 – 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 and Actual (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, 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:

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2012

	General	Public Assistance	Motor Vehicle & Gasoline Tax	Board of Developmental Disabilities
Cash Basis	\$ 774,485	\$ 143,015	\$ 369,475	\$ 1,018,388
Beginning of Year:				
Agency Fund Cash Allocation	63,890	0	0	147,437
End of Year:				
Agency Fund Cash Allocation	(96,787)	0	0	(223,611)
Funds Budgeted Elsewhere*	(101,550)	0	0	0
Encumbrances	(168,249)	(88,917)	(27,788)	(157,152)
Budget Basis	\$ 471,789	\$ 54,098	\$ 341,687	\$ 785,062

* 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. This includes Certificate of Title Administration, Records Equipment, Unclaimed Money, Board of Developmental Disabilities Risk and Public Defender Indigent Fee.

Note 5 – 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;

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2012

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;
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.

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2012

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 \$412,393 in undeposited cash on hand which is included as part of “Equity in Pooled Cash and Cash Equivalents.”

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, \$7,127,650 of the County’s bank balance of \$7,707,116 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

The County has no deposit policy for custodial 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.

Deposits in interest-bearing accounts are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to a coverage limit of \$250,000 per financial institution through December 31, 2012. Insurance on deposits in noninterest-bearing accounts is unlimited through December 31, 2012. The County has both interest-bearing and noninterest-bearing accounts.

Beginning January 1, 2013, noninterest-bearing accounts will no longer be insured separately from the County’s other accounts at the same financial institution. Instead, noninterest-bearing and interest-bearing accounts will collectively be insured up to a coverage limit of \$250,000, at each separate financial institution.

At December 31, 2012, the County’s Board of Development Disabilities special revenue fund had a cash balance of \$2,411,097 with MEORC, a jointly governed organization (See Note 16). The money is held by MEORC in a pooled account which is representative of numerous entities and therefore cannot be classified by risk under GASB Statement 40. 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.

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2012

Investments

At December 31, 2012, 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	\$ 194,452	12/1/2020 - 11/1/2027	1.0%	N/A	N/A
STAROhio	62,858	53 days	0.3%	AAAm	S&P
First American Government					
Obligation Money Market Fund	69,684	Immediately	0.4%	AAAm	S&P
Negotiable CD's	2,143,293	3/7/13 - 10/24/16	11.4%	N/A	N/A
Federal Home Loan Mortgage Notes	5,266,831	9/24/15 - 11/28/17	28.1%	AAA	Moody's
Federal Home Loan Bank Bonds	4,002,477	12/28/16 - 5/23/22	21.3%	AAA	Moody's
Federal Farm Credit Bank Bonds	6,293,321	4/17/14 - 12/12/17	33.5%	AAA	Moody's
Federal National Mortgage Association Notes	<u>728,317</u>	2/12/13 - 5/16/16	<u>4.0%</u>	AAA	Moody's
Total Investments	<u>\$ 18,761,233</u>		<u>100%</u>		

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. The weighted average of maturity of the portfolio held by STAROhio as of December 31, 2012, is 53 days and carries a rating of AAAm by Standard and Poor's.

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.

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2012

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 6 – 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 Office of Budget and Management, the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The Office of Budget and Management then has five days in which to draw the warrant payable to the County.

Note 7 – Property Taxes

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

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2012 public utility property taxes which became a lien December 31, 2011, are levied after October 1, 2012, and are collected in 2013 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.

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2012

The full tax rate for all County operations for the year ended December 31, 2012, was \$13.60 per \$1,000 of assessed value. The assessed values of real property upon which 2012 property tax receipts were based are as follows:

Real Property	\$ 544,694,180
Public Utility Real Property	234,660
Public Utility Personal Property	<u>107,037,440</u>
Total Assessed Value	<u>\$ 651,966,280</u>

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the County. The County Auditor periodically remits to the County its portion of the taxes collected.

Note 8 – 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 \$72,681,436, 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 for 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.

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2012

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 9 – 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 2012, 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 2012 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 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2012.

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2012

The County's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2012, 2011, and 2010 were \$1,377,513, \$1,396,830 and \$1,029,306, respectively. The full amount has been contributed for 2012, 2011 and 2010. Contributions to the member-directed plan for 2012 were \$14,350 made by the County and \$10,250 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.

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 fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. 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 employer contributions. 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, 2012, 2011, and 2010 were \$4,196, \$9,705 and \$15,773, respectively. The full amount has been contributed for fiscal year 2012, 2011 and 2010. For fiscal year 2012, the County did not have any employees participating in either the DC or Combined Plans.

Note 10 – 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.

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 2012, 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 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2012.

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2012

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, 2012, 2011, and 2010 were \$551,005, \$558,732 and \$1,020,306, respectively; the full amounts have been contributed for 2012, 2011 and 2010.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

B. State Teachers Retirement System

Plan Description – The County contributes to the cost sharing, multiple-employer defined benefit Health Plan (the “Plan”) administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians’ fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The County's contributions for health care benefits for the years ended December 31, 2012, 2011 and 2010 were \$323, \$747 and \$1,213 respectively; 100 percent has been contributed for 2012, 2011 and 2010.

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Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2012

Note 11 - Debt

The County's debt activity for the year ended December 31, 2012 was as follows:

	Outstanding 1/1/2012	Additions	Reductions	Outstanding 12/31/2012	Amounts Due Within One Year
Governmental Activities:					
<i>Special Assessment Bonds:</i>					
Stop Nine Sanitary Sewer-1993, \$559,200, 5%	\$ 45,700	\$ 0	\$ (1,200)	\$ 44,500	\$ 1,200
Sundew and Zane Waterline-1996, \$84,000, 4.95%	33,397	0	(5,279)	28,118	5,540
Cedar Hills Sewer-1996, \$171,785, 4.95%	50,221	0	(11,696)	38,525	12,275
Eastmoor Sanitary Sewer-1998, \$186,000, 4.5%	84,400	0	(10,500)	73,900	11,000
Wolf's Den Road Waterline-2000, \$63,880, 6%	28,746	0	(3,194)	25,552	3,194
State Route 313 Sewer-2006, \$200,000, 4.20-5.25%	175,000	0	(10,000)	165,000	10,000
<i>Total Special Assessment Bonds</i>	<u>417,464</u>	<u>0</u>	<u>(41,869)</u>	<u>375,595</u>	<u>43,209</u>
<i>General Obligation Bonds:</i>					
Various Purpose Refunding and Improvement Serial Bonds-2003, 2.00-5.00%, \$7,260,000	2,055,000	0	(1,735,000)	320,000	320,000
Various Purpose Refunding and Improvement Term Bonds-2003, 2.00-5.00%, \$3,825,000	3,825,000	0	(3,825,000)	0	0
Various Purpose Refunding and Improvement Serial Bonds-2012, 2.20%, \$5,670,000	0	5,670,000	(45,000)	5,625,000	70,000
Public Improvement-1996, \$124,959, 4.95%	56,380	0	(13,025)	43,355	12,185
Ohio State University Extension Building Series 2007, \$200,000, 5.75%	175,844	0	(6,944)	168,900	7,349
Engineer's Garage Bond-2008, \$205,000, 3.89%	24,811	0	(24,811)	0	0
Energy Conservation Bonds-2010, \$750,000, 3.06%	600,000	0	(150,000)	450,000	150,000
Courthouse Renovation Bonds-2011, \$750,000, 2.94%	675,000	0	(150,000)	525,000	150,000
<i>Total General Obligation Bonds</i>	<u>7,412,035</u>	<u>5,670,000</u>	<u>(5,949,780)</u>	<u>7,132,255</u>	<u>709,534</u>
<i>OPWC Loan:</i>					
OPWC Loan-2007, \$53,257, 0%	43,938	0	(2,663)	41,275	2,663
<i>Total OPWC Loan</i>	<u>43,938</u>	<u>0</u>	<u>(2,663)</u>	<u>41,275</u>	<u>2,663</u>
Total Governmental Activities	<u>\$ 7,873,437</u>	<u>\$ 5,670,000</u>	<u>\$ (5,994,312)</u>	<u>\$ 7,549,125</u>	<u>\$ 755,406</u>

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2012

	Outstanding 1/1/2012	Additions	Reductions	Outstanding 12/31/2012	Amounts Due Within One Year
Business-Type Activities:					
<i>General Obligation Bonds:</i>					
Kimbolton Waterline - 1992, \$142,000, 5.75%	\$ 88,600	\$ 0	\$ (2,800)	\$ 85,800	\$ 3,000
North Salem Waterline - 1994, \$450,000, 5%	315,300	0	(9,700)	305,600	10,100
Route 40 East Waterline - 2008, \$2,839,000, 4.42%	2,607,502	0	(67,221)	2,540,281	70,225
<i>Total General Obligation Bonds</i>	<u>3,011,402</u>	<u>0</u>	<u>(79,721)</u>	<u>2,931,681</u>	<u>83,325</u>
<i>OWDA Loans:</i>					
Water Fund OWDA - 2006, \$288,657, 2%	224,476	0	(10,704)	213,772	13,374
Water Fund OWDA - 2009, \$69,134, 2%	54,897	0	(2,562)	52,335	2,613
Water Fund OWDA - 2010, \$112,010, 3.27%	90,408	0	(3,498)	86,910	3,613
Sewer Fund OWDA - 2011, \$1,984,747, 1%	488,413	705,895	(28,482)	1,165,826	0
<i>Total OWDA Loans</i>	<u>858,194</u>	<u>705,895</u>	<u>(45,246)</u>	<u>1,518,843</u>	<u>19,600</u>
USDA Loan - 2011, \$3,641,000, 3.75%	108,551	3,532,449	0	3,641,000	0
Total Business-Type Activities	<u>\$ 3,978,147</u>	<u>\$ 4,238,344</u>	<u>\$ (124,967)</u>	<u>\$ 8,091,524</u>	<u>\$ 102,925</u>

Governmental Activities

Special Assessment Bonds – As of December 31, 2012, the County has \$375,595 in special assessment bonded debt outstanding. The debt is being repaid from the Special Assessment Bond Retirement Debt Service Fund with proceeds of special assessments levied against benefited property owners. In the event the property owners do not pay their assessments, the County would be responsible for the debt service payment. Principal and interest requirements to retire the special assessment bonds outstanding at December 31, 2012 are as follows:

Year Ending December 31,	Principal	Interest	Total
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	25,350	9,983	35,333
2018-2022	100,182	36,026	136,208
2023-2027	71,200	14,006	85,206
2028-2032	14,300	3,045	17,345
2033	3,300	165	3,465
	<u>\$ 375,595</u>	<u>\$ 123,350</u>	<u>\$ 498,945</u>

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2012

General Obligation Bonds – As of December 31, 2012, the County has \$7,132,255 in general obligation bonded debt outstanding that is being retired by the Bond Retirement Debt Service Fund. In 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 paid off early in February 2012. 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 September 5, 2012, the County entered into \$5,670,000 of various purpose refunding general obligation bonds that consisted of serial bonds with an interest rate of 2.20%. At the date of refunding, \$5,609,331 (after issuance costs) was received to pay off old debt. As a result, \$5,250,000 of the 2003 Series Bonds are considered to be defeased and the liability for those bonds has been removed from the 2012 financial statements. As of December 31, 2012 the entire amount of defeased bonds were outstanding.

The issuance cost of the general obligation bonds was \$54,680. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$365,320.

The bonds are being retired from property and sales tax revenues.

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.

Principal and interest requirements to retire the general obligation bonds outstanding at December 31, 2012 are as follows:

Year Ending December 31,	Principal	Interest	Total
2013	\$ 709,534	\$ 168,743	\$ 878,277
2014	724,081	151,091	875,172
2015	723,609	132,166	855,775
2016	518,202	114,410	632,612
2017	444,220	102,777	546,997
2018-2022	2,364,822	357,983	2,722,805
2023-2027	1,422,787	113,868	1,536,655
2028	225,000	4,950	229,950
	<u>\$ 7,132,255</u>	<u>\$ 1,145,988</u>	<u>\$ 8,278,243</u>

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2012

OPWC Loan – As of December 31, 2012, the County has a \$41,275 Ohio Public Works Commission loan 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, 2012 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>
2013	\$ 2,663
2014	2,663
2015	2,663
2016	2,663
2017	2,663
2018-2022	13,314
2023-2027	13,315
2028	<u>1,331</u>
	<u>\$ 41,275</u>

Business-Type Activities:

General Obligation Bonds – As of December 31, 2012, the County has \$2,931,681 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, 2012 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 83,325	\$ 136,988	\$ 220,313
2014	87,264	133,172	220,436
2015	91,143	128,174	219,317
2016	95,368	124,999	220,367
2017	99,647	120,628	220,275
2018-2022	571,567	530,232	1,101,799
2023-2027	715,010	386,593	1,101,603
2028-2032	844,086	203,907	1,047,993
2033-2034	<u>344,271</u>	<u>24,313</u>	<u>368,584</u>
	<u>\$ 2,931,681</u>	<u>\$ 1,789,006</u>	<u>\$ 4,720,687</u>

Guernsey County, Ohio
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Ohio Water Development Authority (OWDA) Loans - The County has pledged future customer revenues, net of specified operating expenses, to repay \$1,518,843 in OWDA loans issued from 2006 to 2012. 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 4.10 percent. The total principal and interest remaining to be paid on the loans is \$1,589,643. Principal and interest paid for the current year and total net revenues were \$66,300 and \$497,681, 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, 2012 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, 2012 are as follows:

Year Ending December 31,	Principal	Interest	Total
2013	\$ 19,600	\$ 8,055	\$ 27,655
2014	20,039	7,615	27,654
2015	20,491	7,165	27,656
2016	20,953	6,702	27,655
2017	21,426	6,229	27,655
2018-2022	114,616	23,662	138,278
2023-2027	110,555	10,136	120,691
2028-2030	25,337	1,236	26,573
	<u>\$ 353,017</u>	<u>\$ 70,800</u>	<u>\$ 423,817</u>

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.

Guernsey County, Ohio
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Principal requirements to retire the general obligation bonds outstanding at December 31, 2012 are as follows:

Year Ending December 31,	Principal	Interest	Total
2013	\$ 0	\$ 136,538	\$ 136,538
2014	45,000	136,538	181,538
2015	47,000	134,850	181,850
2016	48,000	133,452	181,452
2017	50,000	131,288	181,288
2018-2022	280,000	627,157	907,157
2023-2027	335,000	570,733	905,733
2028-2032	405,000	503,051	908,051
2033-2037	486,000	420,594	906,594
2038-2042	583,000	322,826	905,826
2043-2047	701,000	204,876	905,876
2048-2051	661,000	63,218	724,218
	<u>\$ 3,641,000</u>	<u>\$ 3,385,121</u>	<u>\$ 7,026,121</u>

The Ohio Revised Code provides that net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 1 percent of the total assessed valuation of the County. The 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 12 – Commitments

A. Contractual Commitment

At December 31, 2012, the County had contractual commitments for the following project:

	Contractual Commitment	Expended	Balance 12/31/2012
Buffalo Derwent Sewer Construction	<u>\$ 8,537,624</u>	<u>\$ 8,034,033</u>	<u>\$ 503,591</u>

Guernsey County, Ohio
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B. Other Commitments

The County utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance. At year end, the County's commitments for encumbrances in the governmental funds were as follows:

Fund	Amount
General	\$ 168,714
Public Assistance	88,917
Motor Vehicle and Gasoline Tax	27,788
Board of Developmental Disabilities	157,152
Other Governmental Funds	315,050
Totals	\$ 757,621

Note 13 – Interfund Activity

A. Interfund Transfers

During 2012 the following transfers were made:

Transfer To	Transfer From				Total
	General	Motor Vehicle & Gas Tax	Other Governmental	Non-Major Enterprise	
General	\$ 0	\$ 0	\$ 49,044	\$ 0	\$ 49,044
Public Assistance	88,160	0	0	0	88,160
Motor Vehicle & Gas Tax	27,580	0	0	0	27,580
Other Governmental	444,437	25,697	9,000	222,058	701,192
Non-Major Enterprise	68	0	0	0	68
<i>Total</i>	\$ 560,245	\$ 25,697	\$ 58,044	\$ 222,058	\$ 866,044

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.

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The General Fund, Water Fund and Motor Vehicle and Gas Tax Fund transferred \$32,976, \$222,058 and \$25,697, respectively, to the Bond Retirement Fund for debt payments. The Court Fund transferred \$49,044 to the General Fund to cover probation department per court order dated August 11, 2010. The Court Fund transferred \$9,000 to the VOCA Grant Fund per court order. All other transfers were made from the General Fund to various other funds to provide additional resources for current operations.

B. Interfund Advances

During 2012 the following advances were made:

Advances To	Advances From				Total
	General	Motor Vehicle & Gas Tax	Other Governmental	Sewer	
General	\$ 0	\$ 0	\$ 17,347	\$ 377,879	\$ 395,226
Public Assistance	0	0	0	0	0
Motor Vehicle & Gas Tax	0	0	100,000	0	100,000
Other Governmental	5,604	100,000	8,148	0	113,752
Sewer	714,879	0	0	0	714,879
<i>Total</i>	\$ 720,483	\$ 100,000	\$ 125,495	\$ 377,879	\$ 1,323,857

During the year, the General Fund advanced \$2,566 and \$3,038 to the Miscellaneous Local Fund and the Corrections Fund, respectively, and both were repaid. The General Fund also advanced \$714,879 to the Sewer Fund, with \$377,879 being repaid by year end. The Motor Vehicle & Gas Tax Fund advanced \$100,000 to the FEMA Fund, and it was repaid during 2012. The Court Fund advanced \$5,500 to the VOCA Grant Fund and the Emergency Management Fund advanced \$2,130 to the Homeland Security Fund. These advances were not repaid during the year.

Additionally, the Homeland Security Fund repaid a prior year advance of \$518 to the Emergency Management Fund. The Court Fund also repaid a prior year advance of \$11,743 to the General 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 14 – Federal Food Stamp Program

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

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Note 15 – 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	\$ 62,278	\$ 0	\$ 0	\$ 0	\$ 0	\$ 62,278
Restricted for:						
Debt Service	0	0	0	0	239,815	239,815
Capital Outlay	0	0	0	0	241,755	241,755
Public Safety	0	0	0	0	0	0
Public Works	0	0	1,399,163	0	0	1,399,163
Human Services	0	589,131	0	0	0	589,131
Children Services	0	0	0	0	2,143,723	2,143,723
Health Services	0	0	0	12,636,553	0	12,636,553
Other Purposes	0	0	0	0	2,118,972	2,118,972
Total Restricted	0	589,131	1,399,163	12,636,553	4,744,265	19,369,112
Committed for:						
Capital Outlay	0	0	0	0	13,081	13,081
Other Purposes	0	0	0	0	1,426	1,426
Total Committed	0	0	0	0	14,507	14,507
Assigned for:						
Subsequent Year						
Appropriations	1,682,549	0	0	0	0	1,682,549
Encumbrances:						
Legislative and Executive	107,924	0	0	0	0	107,924
Judicial	7,755	0	0	0	0	7,755
Public Safety	47,076	0	0	0	0	47,076
Human Services	5,959	0	0	0	0	5,959
Capital Outlay	0	0	0	0	657,174	657,174
Other Purposes	0	0	0	0	30,180	30,180
Total Assigned	1,851,263	0	0	0	687,354	2,538,617
Unassigned	455,424	0	0	0	0	455,424
Total Fund Balance	\$ 2,368,965	\$ 589,131	\$ 1,399,163	\$ 12,636,553	\$ 5,446,126	\$ 22,439,938

Note 16 – Jointly Governed Organizations

A. Southeastern Ohio Joint Solid Waste Management District

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

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

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A Board of Trustees has been created whose members are appointed by the juvenile judges of which Belmont County has three appointees, and Jefferson, Guernsey, Harrison, Monroe, and Noble Counties each have one appointee. The facility is located on property now owned by Belmont County. Policies, procedures and the operating budget are approved by the Judicial Rehabilitation Board. The Board is not dependent upon Guernsey County for its continued existence, no debt exists, and the County does not have an equity interest in or a financial responsibility for the Board. During 2012, 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 2012, 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 2012, 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.

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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 2012, 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 2012, Guernsey County made \$160,121 in payments 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 2012, OMEGA received \$8,895 from Guernsey County.

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.

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The Bureau has no outstanding debt. During 2012, the County made a contribution of \$5,141 to the Cambridge Guernsey County Visitors and Convention Bureau.

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 2012, the County made \$533 in payments 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 2012, 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. South East Area Transit (SEAT)

The South East Area Transit (SEAT) was created pursuant to state statute in 1979. SEAT formulates general policy for the operation of the Regional Transit Authority. Other duties of SEAT include determining routes and fares, formulate operating procedures, promote and maintain community awareness, and appoint and remove the General Manager and Secretary/Treasurer. SEAT 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. During 2012, SEAT received \$413,739 from Guernsey County. 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. At December 31, 2012, SEAT owed \$200,837 on a line of credit.

Note 17 – Related Organizations

A. Guernsey County Convention Facilities Authority

The Guernsey County Convention Facilities Authority (Authority) was created pursuant to State Statutes for the purpose of constructing, equipping, and operating a convention facility in Guernsey County. The Authority operates under the direction of an eleven member appointed board of directors. This board consists of six members appointed by Guernsey County, three members appointed by the Mayor of the City of Cambridge, and two members appointed by the remaining municipal corporations located within the County. The board contracted with a private group for the construction and operation of the Pritchard-Laughlin Civic Center; this center is controlled by a private board of directors which are self-appointing and have total control over the operation of the center including budgeting, appropriating, contracting, and designation of management. The Authority levied a three percent hotel/motel tax that is collected and distributed directly to the Center by the Guernsey County Commissioners. The County is prohibited from contributing to the operations of the Authority by state law. During 2012, 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 2012, 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 2012, the County made a contribution of \$12,500 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 2012, the County contributed \$32,832 to the Airport Authority.

Note 18 – Public Entity Risk Pools

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

The County Risk Sharing Authority, Inc. (CORSA) is a jointly governed organization among 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 19 – Contingent Liabilities

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

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Note 20 – Guernsey Industries

A. Summary of Significant Accounting Policies

Nature of Operations

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

Basis of Accounting

The Organization prepares its financial statement on the cash basis of accounting, where receipts are recorded when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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.

Cash and Cash Equivalents

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively. During 2012, the Organization invested in non-negotiable certificates of deposit. The Organization considers all certificates of deposit to be cash equivalents.

Contributions

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

Inventory and Prepaid Items

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

Property and Equipment

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

Guernsey County, Ohio
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Income Taxes

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

The Organization's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2009, 2010, and 2011 are subject to examination by the IRS, generally for three years after they were filed.

Advertising

The Organization expenses advertising costs as paid.

In-Kind Contributions

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

B. Change in Basis of Accounting and Restatement of Net Position

Last year, the Organization reported the financial statements on the accrual basis of accounting. This year, the Organization has implemented the cash basis of accounting as described above. The Organization made the following modifications to the accrual basis of accounting in implementing the cash basis of accounting:

Net Position December 31, 2011	\$ 168,367
Adjustments:	
Accounts Receivable	(22,392)
Inventory	(9,325)
Property and equipment	(24,206)
Accounts Payable	(208)
Accrued wages	3,790
Accrued expenses	<u>3,463</u>
Adjusted Fund Balance	
December 31, 2011	<u>\$ 119,489</u>

C. Cash

The Organization considers all certificate of deposit investments to be cash equivalents. No cash payments for income taxes or interest expense were made during the year.

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2012

D. In-Kind Contributions

The Guernsey County Board of Developmental Disabilities (the County Board) made in-kind contributions to Guernsey Industries, Inc. The in-kind contributions for the year ended December 31 are as follows:

Adult program direct services wages and fringe benefits	\$ 303,561
Adult program capital costs	31,489
Adult program administrative costs	80,651
Adult program building service costs	<u>52,566</u>
 Total In-Kind Contributions	 <u>\$ 468,267</u>

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

During the year, Guernsey Industries, Inc. received \$169,610 from the County Board for custodial services performed and leased employee payments. During the year, Guernsey Industries, Inc. paid \$5,125 to the County Board for its portion of the shared expenses.

E. Evaluation of Subsequent Events

The Organization has evaluated subsequent events through September 11, 2013 and noted no events that need to be disclosed.

GUERNSEY COUNTY

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

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	\$ 378
Cash Assistance	071118-LLPA-4	10.555	4,792
Total National School Lunch Program			<u>5,170</u>
Total Child Nutrition Cluster			5,170
<i>Passed Through Ohio Department of Jobs and Family Services</i>			
State Administrative Matching Grants	G-1213-11-0044	10.561	304,387
<i>Direct Program</i>			
Water and Waste Disposal System for Rural Communities	N/A	10.760	<u>5,606,907</u>
Total U.S. Department of Agriculture			5,916,464
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through Ohio Department of Development</i>			
Community Development Block Grants-State's Program	B-C-09-1BB-1	14.228	74,575
	B-C-11-1BB-1		6,589
	B-F-10-1BB-1		500
	B-F-11-1BB-1		148,000
	B-W-08-1BB-1		348,045
Total Community Development Block Grant-State's Program			<u>577,709</u>
Home Investment Partnership Program	B-C-09-1BB-2	14.239	44,714
	B-C-11-1BB-1		<u>109,679</u>
Total Home Investment Partnership Program			154,393
Appalachian Regional Commission	B-P-09-1BB-1	23.002	<u>250,000</u>
Total U.S. Department of Housing and Urban Development			982,102
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	<u>11,872</u>
Total U.S. Department of Justice			11,872
U.S. DEPARTMENT OF LABOR			
<i>Passed Through Workforce Investment Act Area 7</i>			
Employment Service/Wagner-Peyser Funded Activities	N/A	17.207	7,919
Workforce Investment Act (WIA) Cluster:			
WIA Adult Programs	N/A	17.258	182,727
WIA Adult Programs - Admin	N/A		<u>9,471</u>
Total WIA Adult Programs			192,198
WIA Youth Activities	N/A	17.259	162,623
WIA Youth Activities - Admin	N/A		<u>12,558</u>
Total WIA Youth Activities			175,181
WIA Dislocated Workers	N/A	17.278	198,981
WIA Dislocated Workers - Admin	N/A		<u>9,606</u>
Total WIA Dislocated Workers			<u>208,587</u>
Total Workforce Investment Act Cluster			575,966
Workforce Investment Act (WIA) National Emergency Grants	N/A	17.277	342,344
Disabled Veterans' Outreach Program	N/A	17.801	<u>1,424</u>
Total U.S. Department of Labor			927,653

GUERNSEY COUNTY

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012
(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 82425	20.205	\$ 567,466
	PID 86128		272,676
	PID 87911		308,696
	PID 88870		29,512
	PID 89455		4,239
	PID 90189		3,218
	PID 91537		41,895
	PID 92283		17,280
	PID 92332		746,270
	PID 92742		36,789
Total Highway Planning and Construction			<u>2,028,041</u>
Total U.S. Department of Transportation			2,028,041
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Special Education - Grants to States	071118-6BSF	84.027	28,919
Special Education - Grants for Infants and Families	2012	84.181	<u>56,599</u>
Total U.S. Department of Education			85,518
U.S. ELECTION ASSISTANCE COMMISSION			
<i>Passed Through Ohio Secretary of State</i>			
Help America Vote Act Requirements Payments	N/A	90.401	<u>4,605</u>
Total U.S. Election Assistance Commission			4,605
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		93.617	3,917
<i>Passed Through Ohio Department of Developmental Disabilities</i>			
Social Services Block Grant	2012	93.667	41,328
Medical Assistance Program	MAC	93.778	78,288
<i>Passed through Ohio Department of Jobs and Family Services</i>			
Promoting Safe and Stable Families	G-1213-11-0045	93.556	171,798
Temporary Assistance for Needy Families	G-1213-11-0044	93.558	1,713,492
Child Support Enforcement	G-1213-11-0044	93.563	881,110
CCDF Cluster:			
Child Care and Development Block Grant	G-1213-11-0044	93.575	23,144
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	G-1213-11-0044	93.596	<u>22,258</u>
Total CCDF Cluster			45,402

GUERNSEY COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012
(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-1213-11-0044	93.645	\$ 108,953
Foster Care - Title IV-E	G-1213-11-0045	93.658	769,871
Adoption Assistance	G-1213-11-0045	93.659	317,533
Social Services Block Grant	G-1213-11-0044	93.667	239,449
Chafee Foster Care Independence Program	G-1213-11-0045	93.674	10,166
Medical Assistance Program	G-1213-11-0044	93.778	<u>461,653</u>
Total U.S. Department of Health and Human Services			4,842,960
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Passed Through Ohio Emergency Management Agency</i>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	DR-059-99059	97.036	27,520
Hazard Mitigation Grant	DR-1580-08R-OH	97.039	35,610
Emergency Management Performance Grants	EMW-2011-EP-00003-S01	97.042	41,402
Total Emergency Management Performance Grants	EMW-2012-EP-00004-S01		<u>18,926</u>
			60,328
Homeland Security Grant Program	2009-SS-T9-0089	97.067	58,340
Total Homeland Security Grant Program	2010-SS-T0-0012		<u>2,415</u>
			60,755
Interagency Hazardous Material Public Section Training and Planning Grants	HM-HMP-0243-11-01-00	20.703	<u>5,600</u>
Total U.S. Department of Homeland Security			<u>189,813</u>
Total Federal Awards Expenditures			<u>\$ 14,989,028</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, 2012

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SUBRECIPIENTS

The County passes certain federal awards received from 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 G - OHIO DEPARTMENT OF DEVELOPMENTAL DISABILITIES ADJUSTMENTS

During the calendar year, the County Board of Developmental Disabilities received a refund for eFMAP (ARRA) funds for the Medicaid Program (CFDA #93.778) in the amount of \$728 from the Ohio Department of Developmental Disabilities. This refund was a correction to the eFMAP percentage for four billing cycles during July and August 2009. This revenue is not listed on the County's Schedule of Expenditures of Federal Awards since the underlying expenses occurred in prior reporting periods.

During the calendar year, the County Board of Developmental Disabilities received a settlement for the 2007 Cost Report from the Ohio Department of Developmental Disabilities for the Medicaid Program (CFDA #93.778) in the amount \$5,924. The Cost Report settlement was for settlement of the difference between the statewide payment rate and the rate calculated based upon actual expenditures for Medicaid services. This revenue is not listed on the County's Schedule of Expenditures of Federal Award since the underlying expenses occurred in prior reporting periods.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Guernsey County, Ohio (the County), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 16, 2013, wherein we noted the County uses a special purpose framework other than generally accepted accounting principles. We also noted the County omitted the financial data for the Guernsey County Port Authority, a legally separate component unit. Our report refers to other auditors who audited the financial statements of Guernsey Industries, Inc., as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that those auditors separately reported.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. 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.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the County's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-002 described in the accompanying Schedule of Findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2012-001 and 2012-002.

Entity's Response to Findings

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.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

September 16, 2013



Dave Yost • Auditor of State

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

Guernsey County
627 Wheeling Avenue
Cambridge, Ohio 43725

To the Board of County Commissioners:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the County's compliance for each of the County's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the County's major programs. However, our audit does not provide a legal determination of the County's compliance.

Basis for Qualified Opinion on the Community Development Block Grant – State's Program

As described in Findings 2012-003 and 2012-004 in the accompanying Schedule of Findings, the County did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2012-03	14.228	Community Development Block Grant	Cash Management
2012-04	14.228	Community Development Block Grant	Reporting

Compliance with these requirements is necessary, in our opinion, for the County to comply with the requirements applicable to this program.

Qualified Opinion on the Community Development Block Grant – State's Program

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the Community Development Block Grant – State's Program* paragraph, the County complied, in all material respects, with the requirements referred to above that could directly and materially affect its *Community Development Block Grant* major federal program for the year ended December 31, 2012.

Unmodified Opinion on Each of the Other Major Federal Programs

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

Other Matters

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

Report on Internal Control over Compliance

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

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings as items 2012-003 and 2012-004 to be material weaknesses.

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

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

September 16, 2013

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	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)?	No
(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	Community Development Block Grant – State's Program – Qualified All other major programs - Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Water and Waste Disposal Systems For Rural Communities, CFDA No. 10.760 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: > \$449,671 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

GUERNSEY COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2012
(Continued)

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

FINDING NUMBER 2012-001

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.

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 extend 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 31 percent of the expenditures we tested in 2012, and there was no evidence that the County followed the aforementioned exceptions. Of these exceptions, 94% related to the contract expenditures paid to two vendors for work on the Buffalo-Derwent Sanitary Sewer Project. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

GUERNSEY COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2012
(Continued)

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

FINDING NUMBER 2012-001 (Continued)

Noncompliance (Continued)

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.

Officials' Response: In future projects, the County will utilize Super Blanket certificates and "Then and Now" certificates, to properly certify availability of funds.

FINDING NUMBER 2012-002

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 a component unit, the Guernsey County Port Authority, in its annual financial report pursuant to generally accepted accounting principles. The 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 with a consistent basis of accounting.

GUERNSEY COUNTY

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

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

FINDING NUMBER 2012-002 (Continued)

Noncompliance and Material Weakness (Continued)

Officials' 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.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2012-003
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-C-11-1BB-1 / B-F-11-1BB-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 – Cash Management

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.

In 2012, draw downs were made, but the disbursements made within 15 days of receipt did not bring the balance on hand to a balance of less than \$5,000 for forty percent of draw downs. Cash on hand from these draw downs was held for 69 to 114 days past the 15 allowable days, and the cash balance from these draw downs over the 15 allowable days ranged from \$9,400 to \$51,187.

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.

Corrective Action Plan and Officials' Response: The Commissioner's office will monitor drawdown procedures and forecasting of expenses with responsible personnel to eliminate excess cash balances by December 31, 2013.

GUERNSEY COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2012
(Continued)

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number	2012-004
CFDA Title and Number	Community Development Block Grant – State’s Program, CFDA No. 14.228
Federal Award Number / Year	B-C-09-1BB-1
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Noncompliance and Material Weakness - Reporting

Ohio Department of Development, Office of Housing and Community Partnership’s Financial Management Rules and Regulations Handbook Section (E)(1)(b), require grantees to complete the required Final Performance Report and submit the report to Ohio Department of Development, Office of Housing and Community Partnership within the time period as referred to in Attachment B, Special Conditions, of the Office of Housing and Community Partnership Grant Agreement.

The CHIP 2009 CDBG grant (grant number B-C-09-1BB-1) Final Performance Report was submitted to the Ohio Department of Development; however the Final Performance Report was submitted 28 days past the required submission date.

We recommend the County review grant agreements to ensure that required reports are being submitted within the period required by the agreement.

Corrective Action Plan and Officials’ Response: The County will request that the City of Cambridge assure timely reporting for grants administered by their Office of Community Development.

GUERNSEY COUNTY

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315(b)
DECEMBER 31, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	A finding for recovery was issued against an employee for pay from working holidays where no documentation was maintained indicating the employee actually worked on the holiday and no approval to work the holiday was noted. The finding was repaid under audit.	Yes	Corrected.
2011-02	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 2012-01.
2011-03	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 2012-02.
2011-04	A citation was issued under Ohio Rev. Code Section 5705.40 for not separately approving appropriation amendments.	Yes	Corrected.
2011-05	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 2012-03.



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
OCTOBER 1, 2013