



Dave Yost • Auditor of State

GUERNSEY COUNTY

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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, each major fund, and the aggregate remaining fund information of Guernsey County, Ohio (the County), as of and for the year ended December 31, 2015, 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 audited 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 that we 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 such 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 opinions.

Summary of Opinions

| Opinion Unit | Type of Opinion |
|--|------------------------|
| Governmental Activities | Unmodified |
| Business-Type Activities | Unmodified |
| Discretely Presented Component Unit | Adverse |
| 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 Water Fund | Unmodified |
| Aggregate Remaining Fund Information | Unmodified |

Basis for Adverse Opinion on the Discretely Presented Component Unit

The financial statements omit the financial data relating to the County's legally-separate component unit. Accounting principles generally accepted in the United States of America require the County's primary-government financial data to include component unit financial data unless the County also issues financial statements that includes the component unit's financial data. The County has not issued complete reporting-entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, net position, and revenue of the discretely-presented component unit would have been presented as \$247,927, \$247,927 and \$1,109,518, respectively.

Adverse Opinion

In our opinion, because of the significance of the matter described in the *Basis for Adverse Opinion on the Discretely Presented Component Unit*, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the discretely-presented component unit of Guernsey County, Ohio, as of December 31, 2015, or the changes in financial position thereof for the year then ended.

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, 2015, 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. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2015, the County adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Supplemental Information

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this 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, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

We applied no procedures to the Management's Discussion & Analysis as listed in the table of contents. Accordingly, 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 14, 2016, 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.



Dave Yost
Auditor of State
Columbus, Ohio

September 14, 2016

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Guernsey County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015

The discussion and analysis of Guernsey County's (the County) financial performance provides an overview of the County's financial activities for the year ended December 31, 2014, 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 2015 are as follows:

- Net cash position of governmental activities increased \$2,580,882.
- At the end of the current year, the County's governmental funds reported a combined ending fund balance of \$32,134,901, an increase of \$2,303,983 from the prior year.

Using this Annual Financial Report

This discussion and analysis is intended to serve as an introduction to The County's Cash Financial Statements. The 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 the 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 the County are improving or deteriorating.

Guernsey County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015

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 the County that are principally supported by taxes and intergovernmental receipts (governmental activities). The governmental activities of the 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, 2015

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 2015 compared to 2014.

A portion of the County's governmental activities net position, \$23,740,515, or 69 percent, represents resources that are subject to restrictions on how they can be used. The remaining balance of unrestricted net position, \$10,538,669, or 31 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 | |
|--|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Assets | | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 31,870,059 | \$ 29,261,846 | \$ 2,097,260 | \$ 1,278,118 | \$ 33,967,319 | \$ 30,539,964 |
| Cash and Cash Equivalents: | | | | | | |
| In Segregated Accounts | 23,229 | 65,560 | 0 | 0 | 23,229 | 65,560 |
| With Fiscal Agents | 2,385,896 | 2,370,896 | 0 | 0 | 2,385,896 | 2,370,896 |
| Total Assets | \$ 34,279,184 | \$ 31,698,302 | \$ 2,097,260 | \$ 1,278,118 | \$ 36,376,444 | \$ 32,976,420 |
| Net Position | | | | | | |
| Restricted for: | | | | | | |
| Capital Projects | \$ 2,202,396 | \$ 1,597,863 | \$ 0 | \$ 0 | \$ 2,202,396 | \$ 1,597,863 |
| Debt Service | 163,670 | 205,367 | 0 | 0 | 163,670 | 205,367 |
| Motor Vehicle Gas Tax | 1,280,028 | 1,638,184 | 0 | 0 | 1,280,028 | 1,638,184 |
| Public Assistance | 741,071 | 464,951 | 0 | 0 | 741,071 | 464,951 |
| Children Services | 1,352,632 | 1,420,372 | 0 | 0 | 1,352,632 | 1,420,372 |
| Developmental Disabilities | 14,235,425 | 13,423,767 | 0 | 0 | 14,235,425 | 13,423,767 |
| Other Purposes | 3,765,293 | 3,821,314 | 0 | 0 | 3,765,293 | 3,821,314 |
| Unrestricted | 10,538,669 | 9,126,484 | 2,097,260 | 1,278,118 | 12,635,929 | 10,404,602 |
| Total Net Position | \$ 34,279,184 | \$ 31,698,302 | \$ 2,097,260 | \$ 1,278,118 | \$ 36,376,444 | \$ 32,976,420 |

Guernsey County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015

Table 2 shows the changes in net position for 2015 compared to 2014.

Table 2
Changes in Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Receipts: | | | | | | |
| <i>Program Receipts:</i> | | | | | | |
| Charges for Services | \$ 5,057,686 | \$ 5,634,120 | \$ 4,130,086 | \$ 3,913,339 | \$ 9,187,772 | \$ 9,547,459 |
| Operating Grants & Contributions | 17,019,894 | 16,189,598 | 0 | 0 | 17,019,894 | 16,189,598 |
| Capital Grants & Contributions | 1,979,313 | 576,927 | 0 | 78,545 | 1,979,313 | 655,472 |
| Total Program Receipts | 24,056,893 | 22,400,645 | 4,130,086 | 3,991,884 | 28,186,979 | 26,392,529 |
| <i>General Receipts:</i> | | | | | | |
| Property Taxes | 7,874,063 | 7,083,087 | 22,317 | 16,521 | 7,896,380 | 7,099,608 |
| Permissive Sales Tax | 10,016,453 | 9,986,883 | 0 | 0 | 10,016,453 | 9,986,883 |
| Grants and Entitlements | 1,390,077 | 1,259,683 | 0 | 0 | 1,390,077 | 1,259,683 |
| Investment Earnings | 613,251 | 255,527 | 0 | 0 | 613,251 | 255,527 |
| General Obligation Bonds Issued | 0 | 185,000 | 0 | 45,751 | 0 | 230,751 |
| Proceeds of Bonds | 423,000 | 0 | 0 | 0 | 423,000 | 0 |
| Proceeds of OWDA Loans | 0 | 0 | 533,918 | 0 | 533,918 | 0 |
| Proceeds of OPWC Loans | 0 | 0 | 590,898 | 0 | 590,898 | 0 |
| Gas and Oil Lease | 0 | 933,775 | 0 | 0 | 0 | 933,775 |
| Miscellaneous | 274,551 | 281,803 | 23,680 | 20,687 | 298,231 | 302,490 |
| Total General Receipts | 20,591,395 | 19,985,758 | 1,170,813 | 82,959 | 21,762,208 | 20,068,717 |
| Total Receipts | 44,648,288 | 42,386,403 | 5,300,899 | 4,074,843 | 49,949,187 | 46,461,246 |
| Program Disbursements: | | | | | | |
| <i>General Government:</i> | | | | | | |
| Legislative and Executive | 6,308,814 | 6,219,736 | 0 | 0 | 6,308,814 | 6,219,736 |
| Judicial | 3,732,988 | 3,440,603 | 0 | 0 | 3,732,988 | 3,440,603 |
| Public Safety | 4,059,411 | 3,832,666 | 0 | 0 | 4,059,411 | 3,832,666 |
| Public Works | 6,601,130 | 4,496,723 | 0 | 0 | 6,601,130 | 4,496,723 |
| Health | 8,058,321 | 7,595,331 | 0 | 0 | 8,058,321 | 7,595,331 |
| Human Services | 10,496,744 | 9,982,155 | 0 | 0 | 10,496,744 | 9,982,155 |
| Economic Development | 275,594 | 261,919 | 0 | 0 | 275,594 | 261,919 |
| Other | 320,229 | 293,494 | 0 | 0 | 320,229 | 293,494 |
| Capital Outlay | 1,260,752 | 771,745 | 0 | 0 | 1,260,752 | 771,745 |
| <i>Debt Service:</i> | | | | | | |
| Principal | 774,856 | 771,534 | 0 | 0 | 774,856 | 771,534 |
| Interest and Fiscal Charges | 151,792 | 168,440 | 0 | 0 | 151,792 | 168,440 |
| Sewer | 0 | 0 | 1,596,591 | 826,745 | 1,596,591 | 826,745 |
| Water | 0 | 0 | 2,911,941 | 2,666,975 | 2,911,941 | 2,666,975 |
| Total Disbursements | 42,040,631 | 37,834,346 | 4,508,532 | 3,493,720 | 46,549,163 | 41,328,066 |
| <i>Excess/(Deficiency) Before Transfers and Advances</i> | | | | | | |
| | 2,607,657 | 4,552,057 | 792,367 | 581,123 | 3,400,024 | 5,133,180 |
| <i>Transfers</i> | | | | | | |
| Transfers | 199,610 | 90,362 | (199,610) | (90,362) | 0 | 0 |
| <i>Advances</i> | | | | | | |
| Advances | (226,385) | 206,870 | 226,385 | (206,870) | 0 | 0 |
| <i>Change in Net Position</i> | | | | | | |
| | 2,580,882 | 4,849,289 | 819,142 | 283,891 | 3,400,024 | 5,133,180 |
| <i>Net Position, Beginning of Year</i> | | | | | | |
| | 31,698,302 | 26,849,013 | 1,278,118 | 994,227 | 32,976,420 | 27,843,240 |
| <i>Net Position, End of Year</i> | | | | | | |
| | \$ 34,279,184 | \$ 31,698,302 | \$ 2,097,260 | \$ 1,278,118 | \$ 36,376,444 | \$ 32,976,420 |

Guernsey County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015

Business-Type Activities – The Sewer Fund reported a decrease in capital grants due to fewer major capital projects in 2015 versus 2014. The Sewer Fund expenditures increased in 2015 by \$769,846 due to capital improvements at Coventry Estates and Beech Meadows waste water treatment plants, which were funded with OWDA and OPWC loans.

Governmental Activities - Operating grants were the largest program receipts, accounting for \$17,019,894 or 38 percent of total receipts for governmental activities. Capital grants totaled \$1,979,313 or 4 percent of total receipts for governmental activities. Capital grants increased in 2015 due to ODOT funding for the County Road 347 bridge project.

Property tax receipts accounted for \$7,874,063 or 18 percent of total governmental receipts. Another major component of general governmental receipts was permissive sales taxes, which accounted for \$10,016,453 or 22 percent of total receipts. The increase in property tax receipts is due to a new mental health and recovery services levy in 2015.

The County's direct charges to users of governmental services made up \$5,057,686 or 11 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.

In 2014, the County received \$933,775 for the leasing of their oil and gas rights. This represented a one-time payment to the County. In 2015, the County began receiving royalties related to these leases, which is reported as investment earnings.

Human services programs accounted for \$10,496,744 or 25 percent of total disbursements for governmental activities. Other major program disbursements for governmental activities include health, which accounted for \$8,058,321 or 19 percent of total disbursements, public works, which accounted for \$6,601,130 or 16 percent of total disbursements, and general government – legislative and executive, which accounted for \$6,308,814 or 15 percent of total disbursements.

Public works expense increased by \$2,104,407 due to new construction projects in 2015, primarily the County Road 347 bridge ODOT project.

Table 3, for governmental activities, indicates the total cost of services and the net cost of services for 2015 compared to 2014. 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.

Guernsey County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015

Table 3
Total and Net Cost of Program Services

| | Total Cost of Services | | Net Cost of Services | |
|-----------------------------|------------------------|----------------------|----------------------|----------------------|
| | 2015 | 2014 | 2015 | 2014 |
| General Government: | | | | |
| Legislative and Executive | \$ 6,308,814 | \$ 6,219,736 | \$ 3,906,028 | \$ 3,404,228 |
| Judicial | 3,732,988 | 3,440,603 | 2,318,921 | 1,928,283 |
| Public Safety | 4,059,411 | 3,832,666 | 2,935,870 | 2,682,967 |
| Public Works | 6,601,130 | 4,496,723 | 441,120 | (249,242) |
| Health | 8,058,321 | 7,595,331 | 3,677,816 | 3,818,903 |
| Human Services | 10,496,744 | 9,982,155 | 2,189,888 | 1,937,921 |
| Economic Development | 275,594 | 261,919 | 59,425 | (42,934) |
| Other | 320,229 | 293,494 | 320,229 | 293,494 |
| Capital Outlay | 1,260,752 | 771,745 | 1,207,793 | 720,107 |
| Debt Service | | | | |
| Principal | 774,856 | 771,534 | 774,856 | 771,534 |
| Interest and Fiscal Charges | 151,792 | 168,440 | 151,792 | 168,440 |
| <i>Total Disbursements</i> | <u>\$ 42,040,631</u> | <u>\$ 37,834,346</u> | <u>\$ 17,983,738</u> | <u>\$ 15,433,701</u> |

Charges for services, operating grants and contributions and capital grants and contributions of \$24,056,893 or 57 percent of the total costs of services are received and used to fund the disbursements of the County. The remaining \$17,983,738 in disbursements is funded by property taxes, permissive sales taxes, intergovernmental receipts, interest and miscellaneous receipts.

Business-Type Activities – As of December 31, 2015, business-type funds of the County reported net position of \$2,097,260. This is an increase of \$819,142 during 2015.

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, 2015, the County's governmental funds reported a combined ending fund balance of \$32,134,901, an increase of \$2,303,983 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 increased \$1,135,688 during 2015.

At the end of 2015 the Public Assistance Fund had a fund balance of \$741,071 in comparison to a fund balance of \$464,951 at the end of 2014. This increase is primarily due to an increase State grant receipts.

Guernsey County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015

During 2015 the Motor Vehicle and Gasoline Tax Fund had a decrease in fund balance of \$358,156 primarily due to timing of revenues as compared to project costs.

At the end of 2015 the Board of Developmental Disabilities Fund had a fund balance of \$14,235,425, in comparison to the fund balance of \$13,423,767 at the end of 2014. This increase is due to receipts consistently exceeding disbursements as a result of improved cost 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 were minimal. The actual budget basis revenue was \$14,042,923, representing an increase of \$637,447 compared to the final budget estimate of \$13,405,476. This increase is due to a conservative underestimation of sales tax and gas and oil receipts. Fluctuations in growth and diversity have typically not occurred in Guernsey County, allowing department managers the ability to consistently predict receipts and disbursements.

Final expenditure appropriations of \$14,525,396 were \$1,945,824 higher than the actual expenditures of \$12,579,572, as cost savings were recognized mainly for general government throughout the year.

Debt

At December 31, 2015, Guernsey County had the following debt outstanding:

Table 4
Outstanding Debt at Year End

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Special Assessment Bonds | \$ 241,632 | \$ 287,596 | \$ 0 | \$ 0 | \$ 241,632 | \$ 287,596 |
| General Obligation Bonds | 5,580,413 | 5,883,640 | 2,706,912 | 2,806,843 | 8,287,325 | 8,690,483 |
| OWDA Loans | 0 | 0 | 2,051,843 | 1,578,601 | 2,051,843 | 1,578,601 |
| OPWC Loans | 33,286 | 35,949 | 590,898 | 0 | 624,184 | 35,949 |
| USDA Loan | 0 | 0 | 3,549,000 | 3,596,000 | 3,549,000 | 3,596,000 |
| <i>Total</i> | <u>\$ 5,855,331</u> | <u>\$ 6,207,185</u> | <u>\$ 8,898,653</u> | <u>\$ 7,981,444</u> | <u>\$14,753,984</u> | <u>\$14,188,629</u> |

For further information regarding the County's debt, refer to Note 10 to the basic financial statements.

Economic Factors

The unemployment rate for Guernsey County averaged 7.0 percent in December 2015. This rate is higher than the State of Ohio rate of 4.7 percent in December 2015.

The County's \$713,406,230 overall assessed valuation has increased \$20,752,300 from the prior year. This increase is attributable to a change in mineral values due to oil and gas activity.

Guernsey County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015

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.

Guernsey County, Ohio
Statement of Net Position - Cash Basis
 December 31, 2015

| | Primary Government | | |
|--|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 31,870,059 | \$ 2,097,260 | \$ 33,967,319 |
| Cash and Cash Equivalents in Segregated Accounts | 23,229 | 0 | 23,229 |
| Cash and Cash Equivalents with Fiscal Agent | 2,385,896 | 0 | 2,385,896 |
| <i>Total Assets</i> | <u>\$ 34,279,184</u> | <u>\$ 2,097,260</u> | <u>\$ 36,376,444</u> |
| Net Position | | | |
| Restricted for: | | | |
| Capital Outlay | \$ 2,202,396 | \$ 0 | \$ 2,202,396 |
| Debt Service | 163,670 | 0 | 163,670 |
| Motor Vehicle and Gasoline Tax | 1,280,028 | 0 | 1,280,028 |
| Public Assistance | 741,071 | 0 | 741,071 |
| Children Services | 1,352,632 | 0 | 1,352,632 |
| Developmental Disabilities | 14,235,425 | 0 | 14,235,425 |
| Other Purposes | 3,765,293 | 0 | 3,765,293 |
| Unrestricted | 10,538,669 | 2,097,260 | 12,635,929 |
| <i>Total Net Position</i> | <u>\$ 34,279,184</u> | <u>\$ 2,097,260</u> | <u>\$ 36,376,444</u> |

See accompanying notes to the basic financial statements.

Guernsey County, Ohio
Statement of Activities - Cash Basis
For the Year Ended December 31, 2015

| | 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 | \$ 6,308,814 | \$ 2,402,786 | \$ 0 | \$ 0 |
| Judicial | 3,732,988 | 1,037,732 | 376,335 | 0 |
| Public Safety | 4,059,411 | 510,261 | 613,280 | 0 |
| Public Works | 6,601,130 | 77,473 | 4,104,477 | 1,978,060 |
| Health | 8,058,321 | 789,061 | 3,591,444 | 0 |
| Human Services | 10,496,744 | 188,667 | 8,118,189 | 0 |
| Economic Development and Assistance | 275,594 | 0 | 216,169 | 0 |
| Other | 320,229 | 0 | 0 | 0 |
| Capital Outlay | 1,260,752 | 51,706 | 0 | 1,253 |
| Debt Service: | | | | |
| Principal Retirements | 774,856 | 0 | 0 | 0 |
| Interest and Fiscal Charges | 151,792 | 0 | 0 | 0 |
| <i>Total Governmental Activities</i> | <u>42,040,631</u> | <u>5,057,686</u> | <u>17,019,894</u> | <u>1,979,313</u> |
| Business-Type Activities: | | | | |
| Water Fund | 2,911,941 | 3,144,066 | 0 | 0 |
| Sewer Fund | 1,596,591 | 986,020 | 0 | 0 |
| <i>Total Business-Type Activities</i> | <u>4,508,532</u> | <u>4,130,086</u> | <u>0</u> | <u>0</u> |
| <i>Total - Primary Government</i> | <u>\$ 46,549,163</u> | <u>\$ 9,187,772</u> | <u>\$ 17,019,894</u> | <u>\$ 1,979,313</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
 Capital Improvement
 Grants and Entitlements not Restricted to Specific Programs
 Investment Earnings
 Proceeds of Bonds
 Proceeds of OPWC Loans
 Proceeds of OWDA Loans
 Miscellaneous

Total General Receipts

Transfers
 Advances

Total General Receipts, Advances and Transfers

Change in Net Position

Net Position, Beginning of Year

Net Position, End of Year

See accompanying notes to the basic financial statements.

| Net (Disbursements) Receipts and Changes in Net Position | | |
|---|-----------------------------|----------------------|
| Governmental Activities | Business-Type Activities | Total |
| \$ (3,906,028) | \$ 0 | \$ (3,906,028) |
| (2,318,921) | 0 | (2,318,921) |
| (2,935,870) | 0 | (2,935,870) |
| (441,120) | 0 | (441,120) |
| (3,677,816) | 0 | (3,677,816) |
| (2,189,888) | 0 | (2,189,888) |
| (59,425) | 0 | (59,425) |
| (320,229) | 0 | (320,229) |
| (1,207,793) | 0 | (1,207,793) |
| (774,856) | 0 | (774,856) |
| (151,792) | 0 | (151,792) |
| <u>(17,983,738)</u> | <u>0</u> | <u>(17,983,738)</u> |
| 0 | 232,125 | 232,125 |
| <u>0</u> | <u>(610,571)</u> | <u>(610,571)</u> |
| 0 | (378,446) | (378,446) |
| <u>(17,983,738)</u> | <u>(378,446)</u> | <u>(18,362,184)</u> |
| 1,641,858 | 0 | 1,641,858 |
| 1,296,054 | 0 | 1,296,054 |
| 617,200 | 0 | 617,200 |
| 1,234,401 | 0 | 1,234,401 |
| 2,467,350 | 0 | 2,467,350 |
| 617,200 | 0 | 617,200 |
| 0 | 22,317 | 22,317 |
| 8,260,575 | 0 | 8,260,575 |
| 555,878 | 0 | 555,878 |
| 1,200,000 | 0 | 1,200,000 |
| 1,390,077 | 0 | 1,390,077 |
| 613,251 | 0 | 613,251 |
| 423,000 | 0 | 423,000 |
| 0 | 590,898 | 590,898 |
| 0 | 533,918 | 533,918 |
| <u>274,551</u> | <u>23,680</u> | <u>298,231</u> |
| 20,591,395 | 1,170,813 | 21,762,208 |
| 199,610 | (199,610) | 0 |
| <u>(226,385)</u> | <u>226,385</u> | <u>0</u> |
| 20,564,620 | 1,197,588 | 21,762,208 |
| 2,580,882 | 819,142 | 3,400,024 |
| <u>31,698,302</u> | <u>1,278,118</u> | <u>32,976,420</u> |
| <u>\$ 34,279,184</u> | <u>\$ 2,097,260</u> | <u>\$ 36,376,444</u> |

Guernsey County, Ohio
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2015

| | 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 | \$ 8,469,441 | \$ 741,071 | \$ 1,280,028 | \$ 11,849,529 | \$ 7,385,707 | \$ 29,725,776 |
| Cash and Cash Equivalents in Segregated Accounts | 0 | 0 | 0 | 0 | 23,229 | 23,229 |
| Cash and Cash Equivalents with Fiscal Agent | 0 | 0 | 0 | 2,385,896 | 0 | 2,385,896 |
| <i>Total Assets</i> | <u>\$ 8,469,441</u> | <u>\$ 741,071</u> | <u>\$ 1,280,028</u> | <u>\$ 14,235,425</u> | <u>\$ 7,408,936</u> | <u>\$ 32,134,901</u> |
| Fund Balances | | | | | | |
| Nonspendable | \$ 86,871 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 86,871 |
| Restricted | 0 | 741,071 | 1,280,028 | 14,235,425 | 7,397,120 | 23,653,644 |
| Committed | 55,000 | 0 | 0 | 0 | 11,816 | 66,816 |
| Assigned | 2,033,889 | 0 | 0 | 0 | 0 | 2,033,889 |
| Unassigned | 6,293,681 | 0 | 0 | 0 | 0 | 6,293,681 |
| <i>Total Fund Balances</i> | <u>\$ 8,469,441</u> | <u>\$ 741,071</u> | <u>\$ 1,280,028</u> | <u>\$ 14,235,425</u> | <u>\$ 7,408,936</u> | <u>\$ 32,134,901</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, 2015*

Total Governmental Fund Balances \$ 32,134,901

*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.

2,144,283

Net Position of Governmental Activities

\$ 34,279,184

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, 2015

| | General | Public Assistance | Motor Vehicle and Gasoline Tax | Board of Developmental Disabilities | All Other Governmental Funds | Total Governmental Funds |
|--|---------------------|----------------------|--------------------------------------|---|------------------------------------|--------------------------------|
| Receipts | | | | | | |
| Property Taxes | \$ 1,641,858 | \$ 0 | \$ 0 | \$ 2,467,350 | \$ 3,764,855 | \$ 7,874,063 |
| Sales Tax | 8,260,575 | 0 | 0 | 0 | 1,755,878 | 10,016,453 |
| Special Assessments | 0 | 0 | 0 | 0 | 37,596 | 37,596 |
| Charges for Services | 2,184,400 | 0 | 0 | 108,158 | 2,043,380 | 4,335,938 |
| Licenses and Permits | 14,786 | 0 | 0 | 0 | 126,902 | 141,688 |
| Fines and Forfeitures | 85,691 | 0 | 52,781 | 0 | 178,422 | 316,894 |
| Intergovernmental | 1,349,489 | 5,271,419 | 4,104,239 | 2,594,328 | 6,968,312 | 20,287,787 |
| Interest | 613,251 | 0 | 238 | 0 | 2,380 | 615,869 |
| Rent | 162,500 | 0 | 0 | 30,435 | 70,237 | 263,172 |
| Contributions and Donations | 40,587 | 0 | 0 | 0 | 20,695 | 61,282 |
| Other | 80,254 | 1,812 | 18,255 | 67,367 | 106,863 | 274,551 |
| <i>Total Receipts</i> | <u>14,433,391</u> | <u>5,273,231</u> | <u>4,175,513</u> | <u>5,267,638</u> | <u>15,075,520</u> | <u>44,225,293</u> |
| Disbursements | | | | | | |
| Current: | | | | | | |
| General Government: | | | | | | |
| Legislative and Executive | 5,465,658 | 0 | 0 | 0 | 931,733 | 6,397,391 |
| Judicial | 3,099,371 | 0 | 0 | 0 | 636,924 | 3,736,295 |
| Public Safety | 3,043,726 | 0 | 0 | 0 | 1,063,759 | 4,107,485 |
| Public Works | 155,627 | 0 | 4,560,171 | 0 | 1,940,544 | 6,656,342 |
| Health | 70,073 | 0 | 0 | 4,455,980 | 3,549,020 | 8,075,073 |
| Human Services | 334,516 | 5,078,906 | 0 | 0 | 5,148,304 | 10,561,726 |
| Economic Development and Assistance | 0 | 0 | 0 | 0 | 275,594 | 275,594 |
| Other | 320,229 | 0 | 0 | 0 | 0 | 320,229 |
| Capital Outlay | 227,503 | 0 | 0 | 0 | 1,033,249 | 1,260,752 |
| Debt Service: | | | | | | |
| Principal Retirements | 0 | 0 | 2,663 | 0 | 772,191 | 774,854 |
| Interest and Fiscal Charges | 0 | 0 | 0 | 0 | 151,794 | 151,794 |
| <i>Total Disbursements</i> | <u>12,716,703</u> | <u>5,078,906</u> | <u>4,562,834</u> | <u>4,455,980</u> | <u>15,503,112</u> | <u>42,317,535</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>1,716,688</u> | <u>194,325</u> | <u>(387,321)</u> | <u>811,658</u> | <u>(427,592)</u> | <u>1,907,758</u> |
| Other Financing Sources and (Uses) | | | | | | |
| Transfers In | 0 | 81,795 | 29,165 | 0 | 626,077 | 737,037 |
| Transfers Out | (527,615) | 0 | 0 | 0 | (9,812) | (537,427) |
| Advances In | 4,477 | 0 | 0 | 0 | 150 | 4,627 |
| Advances Out | (230,862) | 0 | 0 | 0 | (150) | (231,012) |
| Proceeds of Bonds | 173,000 | 0 | 0 | 0 | 250,000 | 423,000 |
| <i>Total Other Financing Sources and (Uses)</i> | <u>(581,000)</u> | <u>81,795</u> | <u>29,165</u> | <u>0</u> | <u>866,265</u> | <u>396,225</u> |
| <i>Net Change in Fund Balance</i> | 1,135,688 | 276,120 | (358,156) | 811,658 | 438,673 | 2,303,983 |
| <i>Fund Balance, Beginning of Year</i> | <u>7,333,753</u> | <u>464,951</u> | <u>1,638,184</u> | <u>13,423,767</u> | <u>6,970,263</u> | <u>29,830,918</u> |
| <i>Fund Balance, End of Year</i> | <u>\$ 8,469,441</u> | <u>\$ 741,071</u> | <u>\$ 1,280,028</u> | <u>\$ 14,235,425</u> | <u>\$ 7,408,936</u> | <u>\$ 32,134,901</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, 2015*

| | |
|---|---------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ 2,303,983 |
| <i>Amounts reported for governmental activities in the statement of activities are different because</i> | |
| The internal service funds used by management to charge the cost of insurance to individual funds is not reported in the entity-wide statements of activities. Governmental expenditures and related internal service fund revenues are eliminated. The change for governmental funds is reported for the year. | |
| | <u>276,899</u> |
| <i>Change in Net Position of Governmental Activities</i> | <u>\$ 2,580,882</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)
General Fund
For the Year Ended December 31, 2015

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|--|---------------------|---------------------|---------------------|-------------------------------|
| Receipts | | | | |
| Property Taxes | \$ 1,482,449 | \$ 1,482,449 | \$ 1,661,253 | \$ 178,804 |
| Sales Taxes | 7,300,000 | 7,300,000 | 8,260,575 | 960,575 |
| Charges for Services | 1,996,151 | 1,996,151 | 1,816,668 | (179,483) |
| Licenses and Permits | 8,500 | 8,500 | 14,786 | 6,286 |
| Fines and Forfeitures | 73,000 | 73,000 | 85,691 | 12,691 |
| Intergovernmental | 1,304,174 | 1,304,174 | 1,349,489 | 45,315 |
| Interest | 960,000 | 960,000 | 613,251 | (346,749) |
| Rent | 162,500 | 162,500 | 162,500 | 0 |
| Contributions and Donations | 0 | 0 | 40,587 | 40,587 |
| Other | 118,702 | 118,702 | 38,123 | (80,579) |
| <i>Total Receipts</i> | <u>13,405,476</u> | <u>13,405,476</u> | <u>14,042,923</u> | <u>637,447</u> |
| Disbursements | | | | |
| Current: | | | | |
| General Government: | | | | |
| Legislative and Executive | 7,165,904 | 7,285,343 | 5,467,197 | 1,818,146 |
| Judicial | 2,649,334 | 2,872,837 | 2,866,423 | 6,414 |
| Public Safety | 3,128,814 | 3,139,432 | 3,121,336 | 18,096 |
| Public Works | 161,318 | 162,366 | 155,627 | 6,739 |
| Health | 70,249 | 70,249 | 70,073 | 176 |
| Human Services | 375,807 | 375,248 | 351,184 | 24,064 |
| Other | 310,525 | 325,627 | 320,229 | 5,398 |
| Capital Outlay | 89,255 | 294,294 | 227,503 | 66,791 |
| <i>Total Disbursements</i> | <u>13,951,206</u> | <u>14,525,396</u> | <u>12,579,572</u> | <u>1,945,824</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(545,730)</u> | <u>(1,119,920)</u> | <u>1,463,351</u> | <u>2,583,271</u> |
| Other Financing Sources and (Uses) | | | | |
| Proceeds of Bonds | 0 | 0 | 173,000 | 173,000 |
| Transfers In | 27,408 | 27,408 | 12,188 | (15,220) |
| Transfers Out | (3,242,256) | (2,667,919) | (559,803) | 2,108,116 |
| Advances In | 100,000 | 100,000 | 4,477 | (95,523) |
| Advances Out | 0 | (150) | (230,862) | (230,712) |
| <i>Total Other Financing Sources and (Uses)</i> | <u>(3,114,848)</u> | <u>(2,540,661)</u> | <u>(601,000)</u> | <u>1,939,661</u> |
| <i>Net Change in Fund Balance</i> | (3,660,578) | (3,660,581) | 862,351 | 4,522,932 |
| <i>Fund Balance, Beginning of Year</i> | 6,349,176 | 6,349,176 | 6,349,176 | 0 |
| <i>Prior Year Encumbrances Appropriated</i> | <u>113,994</u> | <u>113,994</u> | <u>113,994</u> | <u>0</u> |
| <i>Fund Balance, End of Year</i> | <u>\$ 2,802,592</u> | <u>\$ 2,802,589</u> | <u>\$ 7,325,521</u> | <u>\$ 4,522,932</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, 2015

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|--|-------------------|-------------------|-------------------|-------------------------------|
| Receipts | | | | |
| Intergovernmental | \$ 6,114,300 | \$ 5,271,530 | \$ 5,271,419 | \$ (111) |
| Other | 2,500 | 1,701 | 1,812 | 111 |
| <i>Total Receipts</i> | <u>6,116,800</u> | <u>5,273,231</u> | <u>5,273,231</u> | <u>0</u> |
| Disbursements | | | | |
| Current: | | | | |
| Human Services | 6,466,719 | 5,609,946 | 5,330,765 | 279,181 |
| Capital Outlay | 5,000 | 0 | 0 | 0 |
| <i>Total Disbursements</i> | <u>6,471,719</u> | <u>5,609,946</u> | <u>5,330,765</u> | <u>279,181</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(354,919)</u> | <u>(336,715)</u> | <u>(57,534)</u> | <u>279,181</u> |
| Other Financing Sources | | | | |
| Transfers In | 100,000 | 81,795 | 81,795 | 0 |
| <i>Net Change in Fund Balance</i> | (254,919) | (254,920) | 24,261 | 279,181 |
| <i>Fund Balance, Beginning of Year</i> | 254,917 | 254,917 | 254,917 | 0 |
| <i>Prior Year Encumbrances Appropriated</i> | <u>210,032</u> | <u>210,032</u> | <u>210,032</u> | <u>0</u> |
| <i>Fund Balance, End of Year</i> | <u>\$ 210,030</u> | <u>\$ 210,029</u> | <u>\$ 489,210</u> | <u>\$ 279,181</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, 2015

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|--|---------------------|-------------------|---------------------|-------------------------------|
| Receipts | | | | |
| Fines and Forfeitures | \$ 28,800 | \$ 28,800 | \$ 52,781 | \$ 23,981 |
| Intergovernmental | 4,044,475 | 4,044,475 | 4,104,239 | 59,764 |
| Interest | 200 | 200 | 238 | 38 |
| Other | 75,000 | 75,000 | 18,255 | (56,745) |
| <i>Total Receipts</i> | <u>4,148,475</u> | <u>4,148,475</u> | <u>4,175,513</u> | <u>27,038</u> |
| Disbursements | | | | |
| Current: | | | | |
| Public Works | 4,469,633 | 5,111,481 | 4,640,571 | 470,910 |
| Debt Service: | | | | |
| Principal Retirements | 2,663 | 2,663 | 2,663 | 0 |
| <i>Total Disbursements</i> | <u>4,472,296</u> | <u>5,114,144</u> | <u>4,643,234</u> | <u>470,910</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(323,821)</u> | <u>(965,669)</u> | <u>(467,721)</u> | <u>497,948</u> |
| Other Financing Sources | | | | |
| Transfers In | 29,500 | 29,500 | 29,165 | (335) |
| <i>Net Change in Fund Balance</i> | (294,321) | (936,169) | (438,556) | 497,613 |
| <i>Fund Balance, Beginning of Year</i> | 1,593,307 | 1,593,307 | 1,593,307 | 0 |
| <i>Prior Year Encumbrances Appropriated</i> | <u>44,877</u> | <u>44,877</u> | <u>44,877</u> | <u>0</u> |
| <i>Fund Balance, End of Year</i> | <u>\$ 1,343,863</u> | <u>\$ 702,015</u> | <u>\$ 1,199,628</u> | <u>\$ 497,613</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, 2015

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|---|----------------------------|----------------------------|-----------------------------|---------------------------------------|
| Receipts | | | | |
| Property Taxes | \$ 2,069,923 | \$ 2,069,923 | \$ 2,512,159 | \$ 442,236 |
| Charges for Services | 65,000 | 56,678 | 108,158 | 51,480 |
| Intergovernmental | 2,571,947 | 2,554,899 | 2,594,328 | 39,429 |
| Rent | 0 | 0 | 30,435 | 30,435 |
| Other | 10,500 | 62,391 | 67,367 | 4,976 |
| <i>Total Receipts</i> | <u>4,717,370</u> | <u>4,743,891</u> | <u>5,312,447</u> | <u>568,556</u> |
| Disbursements | | | | |
| Current: | | | | |
| Health | <u>8,843,171</u> | <u>8,909,892</u> | <u>4,620,915</u> | <u>4,288,977</u> |
| <i>Net Change in Fund Balance</i> | (4,125,801) | (4,166,001) | 691,532 | 4,857,533 |
| <i>Fund Balance, Beginning of Year</i> | 12,742,383 | 12,742,383 | 12,742,383 | 0 |
| <i>Prior Year Encumbrances Appropriated</i> | <u>406,135</u> | <u>406,135</u> | <u>406,135</u> | <u>0</u> |
| <i>Fund Balance, End of Year</i> | <u><u>\$ 9,022,717</u></u> | <u><u>\$ 8,982,517</u></u> | <u><u>\$ 13,840,050</u></u> | <u><u>\$ 4,857,533</u></u> |

See accompanying notes to the basic financial statements.

Guernsey County, Ohio
Statement of Fund Net Position - Cash Basis
Proprietary Funds
December 31, 2015

| | Business-Type Activities | | | Governmental Activities - Internal Service Fund |
|--|--------------------------|---------------------|---------------------|--|
| | Water | Nonmajor | Total | |
| Assets | | | | |
| <i>Current Assets:</i> | | | | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$ 524,591</u> | <u>\$ 1,572,669</u> | <u>\$ 2,097,260</u> | <u>\$ 2,144,283</u> |
| Net Position | | | | |
| Unrestricted | <u>\$ 524,591</u> | <u>\$ 1,572,669</u> | <u>\$ 2,097,260</u> | <u>\$ 2,144,283</u> |

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, 2015

| | Business-Type Activities | | | Governmental Activities - Internal Service Fund |
|---|--------------------------|---------------------|---------------------|--|
| | Water | Nonmajor | Total | |
| Operating Receipts | | | | |
| Charges for Services | \$ 3,092,566 | \$ 985,020 | \$ 4,077,586 | \$ 4,807,568 |
| Tap-In Fees | 51,500 | 1,000 | 52,500 | 0 |
| Other | 23,680 | 0 | 23,680 | 0 |
| <i>Total Operating Receipts</i> | <u>3,167,746</u> | <u>986,020</u> | <u>4,153,766</u> | <u>4,807,568</u> |
| Operating Disbursements | | | | |
| Personal Services | 643,290 | 205,454 | 848,744 | 0 |
| Contractual Services | 1,781,987 | 270,289 | 2,052,276 | 664,440 |
| Materials and Supplies | 180,610 | 41,127 | 221,737 | 0 |
| Claims | 0 | 0 | 0 | 3,866,229 |
| Capital Outlay | 30,258 | 837,219 | 867,477 | 0 |
| Other | 16,114 | 7,914 | 24,028 | 0 |
| <i>Total Operating Disbursements</i> | <u>2,652,259</u> | <u>1,362,003</u> | <u>4,014,262</u> | <u>4,530,669</u> |
| <i>Operating Income (Loss)</i> | <u>515,487</u> | <u>(375,983)</u> | <u>139,504</u> | <u>276,899</u> |
| Non-Operating Receipts (Disbursements) | | | | |
| Proceeds of OWDA Loans | 0 | 533,918 | 533,918 | 0 |
| Proceeds of OPWC Loans | 0 | 590,898 | 590,898 | 0 |
| Property Taxes | 22,317 | 0 | 22,317 | 0 |
| Principal Retirement | (120,421) | (87,186) | (207,607) | 0 |
| Interest and Fiscal Charges | (139,261) | (147,402) | (286,663) | 0 |
| <i>Total Non-Operating Receipts (Disbursements)</i> | <u>(237,365)</u> | <u>890,228</u> | <u>652,863</u> | <u>0</u> |
| <i>Income (Loss) Before Advances, Transfers and Contributions</i> | 278,122 | 514,245 | 792,367 | 276,899 |
| Advances In | 0 | 230,712 | 230,712 | 0 |
| Advances Out | 0 | (4,327) | (4,327) | 0 |
| Transfers In | 0 | 26,000 | 26,000 | 0 |
| Transfers Out | (225,610) | 0 | (225,610) | 0 |
| <i>Total Advances, Transfers and Contributions</i> | <u>(225,610)</u> | <u>252,385</u> | <u>26,775</u> | <u>0</u> |
| <i>Change in Net Position</i> | 52,512 | 766,630 | 819,142 | 276,899 |
| <i>Net Position, Beginning of Year</i> | <u>472,079</u> | <u>806,039</u> | <u>1,278,118</u> | <u>1,867,384</u> |
| <i>Net Position, End of Year</i> | <u>\$ 524,591</u> | <u>\$ 1,572,669</u> | <u>\$ 2,097,260</u> | <u>\$ 2,144,283</u> |

See accompanying notes to the basic financial statements.

Guernsey County, Ohio
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
December 31, 2015

| | Private Purpose Trust | Agency |
|--|--------------------------|---------------------|
| Assets | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 0 | \$ 3,518,339 |
| Cash and Cash Equivalents in Segregated Accounts | 83,177 | 326,721 |
| <i>Total Assets</i> | <i>\$ 83,177</i> | <i>\$ 3,845,060</i> |
| Net Position | | |
| Held in Trust for Children Services | \$ 83,177 | \$ 0 |
| Unrestricted | 0 | 3,845,060 |
| <i>Total Net Position</i> | <i>\$ 83,177</i> | <i>\$ 3,845,060</i> |

See accompanying notes to the basic financial statements.

Guernsey County, Ohio
Statement of Changes in Fiduciary Net Position - Cash Basis
Private Purpose Trust Fund
For the Year Ended December 31, 2015

| | Private Purpose Trust |
|--|--------------------------|
| Additions | |
| Gifts and Contributions | \$ 7,252 |
| Interest | 11 |
| <i>Total Additions</i> | 7,263 |
| Deductions | |
| Payments in Accordance with Trust Agreements | 7,907 |
| <i>Change in Net Position</i> | (644) |
| <i>Net Position, Beginning of Year</i> | 83,821 |
| <i>Net Position, End of year</i> | \$ 83,177 |

See accompanying notes to the basic financial statements.

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2015

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 GASB Statement 39, *Determining Whether Certain Organizations are Component Units*, an amendment of GASB Statement 14 and GASB Statement 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*. 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. Component units may also include organizations that are fiscally dependent on the County in that the County approves the budget, the levying of taxes, the issuance of debt, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burden on, the primary government.

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2015

The County's financial statements omit the Guernsey County Port Authority, a component unit of 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)
- 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 15, 16 and 17 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)

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2015

- 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, Inc. (CORSA)
- County Commissioners Association of Ohio Service Corporation (CCAOSC)

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

Note 2 – Summary of Significant Accounting Policies

As discussed further 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, 2015

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, 2015

Proprietary Funds

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

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

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

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

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

Fiduciary Funds

Fiduciary fund reporting focuses on net 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 deferred outflows of resources and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and deferred inflows of resources 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, 2015

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, 2015

During 2015, the County invested in STAR Ohio, federal agency securities, County bonds, negotiable certificates of deposit and a money market account. Investments are reported at cost, except for STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2015.

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 2015 were \$613,251, which includes \$503,462 assigned from other County funds.

F. 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.

G. 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.

H. 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.

I. 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.

J. Pensions

For purposes of measuring the net pension asset/liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

K. Interfund Transactions

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

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2015

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.

L. 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.

M. Net Position

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 \$23,740,515 of restricted net position, of which none is restricted by enabling legislation.

N. 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.

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.

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2015

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.

O. Implementation of New Accounting Principles

For the year ended December 31, 2015, the County has implemented (to the extent it applies to the cash basis of accounting) Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*.

GASB Statement No. 68 requires recognition of the entire net pension liability and a more comprehensive measure of pension expense for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. See Note 8 for further information.

GASB Statement No. 71 amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. See Note 8 for further information.

Note 3 – 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:

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2015

1. Outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as restricted, committed, or assigned fund balance (cash basis).
2. 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.
3. Some funds are included in the general fund (cash basis), 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:

| | General | Public Assistance | Motor Vehicle & Gasoline Tax | Board of Developmental Disabilities |
|-----------------------------|--------------|----------------------|------------------------------------|---|
| Cash Basis | \$ 1,135,688 | \$ 276,120 | \$ (358,156) | \$ 811,658 |
| Beginning of Year: | | | | |
| Agency Fund Cash Allocation | 119,138 | 0 | 0 | 275,249 |
| End of Year: | | | | |
| Agency Fund Cash Allocation | (99,743) | 0 | 0 | (230,440) |
| Funds Budgeted Elsewhere* | (118,983) | 0 | 0 | 0 |
| Encumbrances | (173,749) | (251,859) | (80,400) | (164,935) |
| Budget Basis | \$ 862,351 | \$ 24,261 | \$ (438,556) | \$ 691,532 |

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

Note 4 – 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;

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2015

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal governmental agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above, and repurchase agreements secured by such obligations, provided that these investments are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio and STAR Plus);
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,

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2015

12. Up to one percent of the County's average portfolio in debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government. All interest and principal shall be denominated and payable in the United States.

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

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

At year end, the County had \$481,251 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, \$5,641,261 of the County's bank balance of \$7,103,012 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.

At December 31, 2015, the County's Board of Development Disabilities special revenue fund had a cash balance of \$2,385,896 with MEORC, a jointly governed organization (See Note 15). 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, 2015

Investments

At December 31, 2015, the County had the following investments. All investments are in an internal investment pool.

| | Fair Value | Maturities | | | Total | Percent of Total Investment | Rating | |
|---|----------------------|---------------------|---------------------|----------------------|----------------------|-----------------------------|--------|---------|
| | | 0-12 Months | 12-36 Months | 36-60 Months | | | Rating | Agency |
| Guernsey County General | | | | | | | | |
| Obligation Bonds | \$ 803,856 | \$ 0 | \$ 0 | \$ 803,856 | \$ 803,856 | 2.6% | N/A | N/A |
| STAR Ohio | 62,970 | 62,970 | 0 | 0 | 62,970 | 0.3% | AAAm | S&P |
| LPL Financial Money Market | 132,484 | 132,484 | 0 | 0 | 132,484 | 0.3% | AAAm | S&P |
| Certificates of Deposit | 199,288 | 199,288 | 0 | 0 | 199,288 | 0.6% | Aaa | Moody's |
| Federal Home Loan Mortgage Notes | 5,855,265 | 0 | 1,194,922 | 4,660,343 | 5,855,265 | 19.2% | Aaa | Moody's |
| Federal Home Loan Bank Bonds | 7,983,725 | 0 | 183,880 | 7,799,845 | 7,983,725 | 26.1% | Aaa | Moody's |
| Federal Farm Credit Bank Bonds | 10,654,844 | 748,461 | 3,480,783 | 6,425,600 | 10,654,844 | 34.9% | Aaa | Moody's |
| Federal National Mortgage Association Notes | 4,880,233 | 0 | 0 | 4,880,233 | 4,880,233 | 16.0% | Aaa | Moody's |
| Total Investments | \$ 30,572,665 | \$ 1,143,203 | \$ 4,859,585 | \$ 24,569,877 | \$ 30,572,665 | 100.0% | | |

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 STAR Ohio 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 STAR Ohio as of December 31, 2015, is 49 days.

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

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

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2015

Note 5 – 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, Bond Retirement Fund and County Facilities Construction and Improvement 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 6 – Property Taxes

Property taxes include amounts levied against all real and public utility property located in the County. Property tax revenue received during 2015 for real and public utility property taxes represents collections of the 2014 taxes.

2015 real property taxes were levied after October 1, 2015 on the assessed value as of January 1, 2015, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2015 real property taxes are collected in and intended to finance 2016.

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.

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. 2015 public utility property taxes which became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes.

The full tax rate for all County operations for the year ended December 31, 2015, was \$16.10 per \$1,000 of assessed valuation. The assessed values of real property and public utility tangible property upon which 2015 property tax receipts were based are as follows:

| | |
|----------------------------------|------------------------------|
| Real Property | \$ 589,921,180 |
| Public Utility Real Property | 300,120 |
| Public Utility Personal Property | <u>123,184,930</u> |
| Total Assessed Value | <u><u>\$ 713,406,230</u></u> |

The County Treasurer collects property tax on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected.

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2015

Note 7 – 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 \$80,918,438, 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 three years. Also, the limits have not been lowered significantly in the past year.

With the exception of workers' compensation, health, dental, vision, and life insurances, all other insurance is held with CORSA. The County pays all elected officials bonds by statute. The County contracts with HealthSCOPE 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 \$100,000 per claim with a stop-loss annual coverage aggregate of 150 percent of the experience premium if the County would not have participated in the Plan.

Note 8 - Defined Benefit Pension Plans

Net Pension Asset/Liability

For 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* were effective. These GASB pronouncements had no effect on beginning net position as reported December 31, 2014, as the net pension asset/liability is not reported in the accompanying financial statements. The net pension asset/liability has been disclosed below.

The net pension asset/liability reported on the statement of net position represents an asset/liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension asset/liability represents the County’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension asset/liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the County’s obligation for this liability to annually required payments. The County cannot control benefit terms or the manner in which pensions are financed; however, the County does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension asset/liability. Resulting adjustments to the net pension asset/liability would be effective when the changes are legally enforceable.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - County employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. County employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional and combined plans; therefore, the following disclosure focuses on these two plans.

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OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional and combined plans as per the reduced benefits adopted by SB 343 (see OPERS' CAFR referenced above for additional information):

| Group A | Group B | Group C |
|---|---|---|
| Eligible to retire prior to January 7, 2013 or five years after January 7, 2013 | 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013 | Members not in other Groups and members hired on or after January 7, 2013 |
| State and Local | State and Local | State and Local |
| Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 |
| Public Safety | Public Safety | Public Safety |
| Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit | Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit | Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit |
| Law Enforcement | Law Enforcement | Law Enforcement |
| Age and Service Requirements: Age 52 with 15 years of service credit | Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit | Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit |
| Public Safety and Law Enforcement | Public Safety and Law Enforcement | Public Safety and Law Enforcement |
| Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 | Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 | Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 |

Guernsey County, Ohio
Notes to the Cash Financial Statements
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Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

| | State and Local | Public Safety | Law Enforcement |
|--|--------------------|------------------|--------------------|
| 2015 Statutory Maximum Contribution Rates | | | |
| Employer | 14.00 % | 18.10 % | 18.10 % |
| Employee | 10.00 % | * | ** |
| 2015 Actual Contribution Rates | | | |
| Employer: | | | |
| Pension | 12.00 % | 16.10 % | 16.10 % |
| Post-employment Health Care Benefits | 2.00 | 2.00 | 2.00 |
| Total Employer | 14.00 % | 18.10 % | 18.10 % |
| Employee | 10.00 % | 12.00 % | 13.00 % |

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The County's contractually required contribution was \$1,788,456 for 2015.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – County licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2015

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. Plan members were required to contribute 12 percent of their covered salary for the period from January 1, 2015 through June 30, 2015 and 13 percent of their covered salary for the period from July 1, 2015 through December 31, 2015. The County was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The 2015 contribution rates were equal to the statutory maximum rates.

The County's contractually required contribution to STRS was \$5,477 for 2015.

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2015

Net Pension Asset/Liability

The net pension asset/liability for OPERS was measured as of December 31, 2014, and the total pension asset/liability used to calculate the net pension asset/liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The County's proportion of the net pension asset/liability was based on the County's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

| | OPERS Traditional Plan | OPERS Combined Plan | STRS | Total |
|--|---------------------------|------------------------|-------------|---------------|
| Proportionate Share of the Net Pension Asset | \$ 0 | \$ 15,179 | \$ 0 | \$ 15,179 |
| Proportionate Share of the Net Pension Liability | \$ 14,457,541 | \$ 0 | \$ 89,348 | \$ 14,546,889 |
| Proportion of the Net Pension Asset/Liability | 0.11986900% | 0.03942300% | 0.00032329% | |

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension asset/liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| Actuarial Information | Traditional Pension Plan | Combined Pension Plan |
|--|---|--|
| Wage Inflation | 3.75 percent | 3.75 percent |
| Future Salary Increases, including inflation | 4.25 percent to 10.05 percent, including wage inflation | 4.25 percent to 8.05 percent, including wage inflation |
| COLA or Ad Hoc COLA | 3.00 percent, simple | 3.00 percent |
| Investment Rate of Return | 8.00 percent | 8.00 percent |
| Actuarial Cost Method | Individual Entry Age | Individual Entry Age |

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2015

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) |
|------------------------|----------------------|--|
| Fixed Income | 23.00 % | 2.31 % |
| Domestic Equities | 19.90 | 5.84 |
| Real Estate | 10.00 | 4.25 |
| Private Equity | 10.00 | 9.25 |
| International Equities | 19.10 | 7.40 |
| Other Investments | 18.00 | 4.59 |
| Total | 100.00 % | 5.28 % |

Discount Rate The discount rate used to measure the total pension asset/liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset/liability.

Sensitivity of the County's Proportionate Share of the Net Pension Asset/Liability to Changes in the Discount Rate The following table presents the County's proportionate share of the net pension asset/liability calculated using the current period discount rate assumption of 8 percent, as well as what the County's proportionate share of the net pension asset/liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2015

| County's proportionate share of the net pension (asset)/liability: | 1% Decrease (7.00%) | Current Discount Rate (8.00%) | 1% Increase (9.00%) |
|--|------------------------|-------------------------------------|------------------------|
| Traditional Plan | \$ 26,597,732 | \$ 14,457,541 | \$ 4,232,574 |
| Combined Plan | 1,971 | (15,179) | (28,779) |

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|-----------------------------------|---|
| Inflation | 2.75 percent |
| Projected salary increase | 2.75 percent at 70 to 12.25 percent at age 20 |
| Investment Rate of Return | 7.75 percent, net of investment expenses |
| Cost-of-Living Adjustments (COLA) | 2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year, for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date |

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

| Asset Class | Target Allocation | Long Term Expected Real Rate of Return |
|----------------------|----------------------|---|
| Domestic Equity | 31.00 % | 8.00 % |
| International Equity | 26.00 | 7.85 |
| Alternatives | 14.00 | 8.00 |
| Fixed Income | 18.00 | 3.75 |
| Real Estate | 10.00 | 6.75 |
| Liquidity Reserves | 1.00 | 3.00 |
| | 100.00 % | |

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2015

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the County's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|--|------------------------|-------------------------------------|------------------------|
| County's proportionate share of the net pension liability | \$ 124,111 | \$ 89,348 | \$ 59,951 |

Note 9 - Post-Employment 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 two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored 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 20 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. Please see the Plan Statement in the OPERS 2014 CAFR details.

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2015

The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible benefit recipients. 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/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 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 to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, State and Local employers contributed at a rate of 14.0 percent of earnable salary 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 member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee’s Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2015. As recommended by OPERS’ actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5 percent.

The County’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2015, 2014, and 2013 were \$290,447, \$295,956 and \$142,931, respectively. The full amount has been contributed for all years.

B. State Teachers Retirement System

Plan Description – The County participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2015

Funding Policy – Ohio Revised Code Chapter 3307 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2015, STRS did not allocate any employer contributions to post-employment health care. The County’s contributions for health care for the years ended December 31, 2015, 2014, and 2013 were \$0, \$370 and \$388, respectively. The full amount has been contributed for all years.

Note 10 - Debt

The County’s debt activity for the year ended December 31, 2015 was as follows:

| | Outstanding 1/1/2015 | Additions | Reductions | Outstanding 12/31/2015 | Amounts Due Within One Year |
|--|-------------------------|-------------------|---------------------|---------------------------|-----------------------------------|
| Governmental Activities: | | | | | |
| <i>Special Assessment Bonds:</i> | | | | | |
| Stop Nine Sanitary Sewer-1993, \$559,200, 5% | \$ 41,900 | \$ 0 | \$ (1,300) | \$ 40,600 | \$ 1,500 |
| Sundew and Zane Waterline-1996, \$84,000, 4.95% | 16,764 | 0 | (6,102) | 10,662 | 10,662 |
| Cedar Hills Sewer-1996, \$171,785, 4.95% | 13,368 | 0 | (13,368) | 0 | 0 |
| Eastmoor Sanitary Sewer-1998, \$186,000, 4.5% | 51,400 | 0 | (12,000) | 39,400 | 12,600 |
| Wolf's Den Road Waterline-2000, \$63,880, 6% | 19,164 | 0 | (3,194) | 15,970 | 3,194 |
| State Route 313 Sewer-2006, \$200,000, 4.20-5.25% | 145,000 | 0 | (10,000) | 135,000 | 10,000 |
| <i>Total Special Assessment Bonds</i> | <u>287,596</u> | <u>0</u> | <u>(45,964)</u> | <u>241,632</u> | <u>37,956</u> |
| <i>General Obligation Bonds:</i> | | | | | |
| Various Purpose Refunding and Improvement | | | | | |
| Serial Bonds-2012, 2.20%, \$5,670,000 | 5,150,000 | 0 | (405,000) | 4,745,000 | 425,000 |
| Public Improvement-1996, \$124,959, 4.95% | 19,867 | 0 | (10,377) | 9,490 | 9,490 |
| Ohio State University Extension Building | | | | | |
| Series 2007, \$200,000, 5.75% | 153,773 | 0 | (8,232) | 145,541 | 8,712 |
| Energy Conservation Bonds-2010, \$750,000, 3.06% | 150,000 | 0 | (150,000) | 0 | 0 |
| Courthouse Renovation Bonds-2011, \$750,000, 2.94% | 225,000 | 0 | (150,000) | 75,000 | 75,000 |
| Building Improvement Bonds-2014, \$185,000, 3.50% | 185,000 | 0 | (2,618) | 182,382 | 9,418 |
| Multi-Agency Radio Communication Bonds | | | | | |
| Series 2015, \$173,000, 2.20% | 0 | 173,000 | 0 | 173,000 | 33,111 |
| Roof Replacement Bonds-Series 2015, \$250,000, 2.25% | 0 | 250,000 | 0 | 250,000 | 47,788 |
| <i>Total General Obligation Bonds</i> | <u>5,883,640</u> | <u>423,000</u> | <u>(726,227)</u> | <u>5,580,413</u> | <u>608,519</u> |
| <i>OPWC Loan:</i> | | | | | |
| OPWC Loan-2007, \$53,257, 0% | 35,949 | 0 | (2,663) | 33,286 | 2,663 |
| <i>Total Governmental Activities</i> | <u>\$ 6,207,185</u> | <u>\$ 423,000</u> | <u>\$ (774,854)</u> | <u>\$ 5,855,331</u> | <u>\$ 649,138</u> |

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2015

| | Outstanding 1/1/2015 | Additions | Reductions | Outstanding 12/31/2015 | Amounts Due Within One Year |
|--|-------------------------|---------------------|---------------------|---------------------------|-----------------------------------|
| Business-Type Activities: | | | | | |
| <i>General Obligation Bonds:</i> | | | | | |
| Kimbolton Waterline - 1992, \$142,000, 5.75% | \$ 79,600 | \$ 0 | \$ (3,300) | \$ 76,300 | \$ 3,500 |
| North Salem Waterline - 1994, \$450,000, 5% | 284,800 | 0 | (11,200) | 273,600 | 11,800 |
| Route 40 East Waterline - 2008, \$2,839,000, 4.42% | 2,396,692 | 0 | (76,643) | 2,320,049 | 80,068 |
| Ford F550 Cab and Chassis - 2014, \$45,751, 2.00% | 45,751 | 0 | (8,788) | 36,963 | 8,966 |
| <i>Total General Obligation Bonds</i> | <u>2,806,843</u> | <u>0</u> | <u>(99,931)</u> | <u>2,706,912</u> | <u>104,334</u> |
| <i>OWDA Loans:</i> | | | | | |
| Water Fund OWDA - 2006, \$288,657, 2% | 186,756 | 0 | (13,917) | 172,839 | 14,196 |
| Water Fund OWDA - 2009, \$69,134, 2% | 47,057 | 0 | (2,719) | 44,338 | 2,774 |
| Water Fund OWDA - 2010, \$112,010, 3.27% | 79,564 | 0 | (3,855) | 75,709 | 3,983 |
| Sewer Fund OWDA - 2015, \$1,354,297 .56% | 0 | 533,918 | 0 | 533,918 | 0 |
| Sewer Fund OWDA - 2011, \$1,363,953, 1% | 1,265,224 | 0 | (40,185) | 1,225,039 | 40,589 |
| <i>Total OWDA Loans</i> | <u>1,578,601</u> | <u>533,918</u> | <u>(60,676)</u> | <u>2,051,843</u> | <u>61,542</u> |
| <i>OPWC Loans:</i> | | | | | |
| Sewer Fund OPWC - 2015, \$499,999, 0.0% | 0 | 213,876 | 0 | 213,876 | 0 |
| Sewer Fund OPWC - 2015, \$499,999, 0.0% | 0 | 377,022 | 0 | 377,022 | 0 |
| | <u>0</u> | <u>590,898</u> | <u>0</u> | <u>590,898</u> | <u>0</u> |
| USDA Loan - 2011, \$3,641,000, 3.75% | <u>3,596,000</u> | <u>0</u> | <u>(47,000)</u> | <u>3,549,000</u> | <u>48,000</u> |
| <i>Total Business-Type Activities</i> | <u>\$ 7,981,444</u> | <u>\$ 1,124,816</u> | <u>\$ (207,607)</u> | <u>\$ 8,898,653</u> | <u>\$ 213,876</u> |

Special Assessment Bonds – As of December 31, 2015, the County has \$241,632 in special assessment bonded debt outstanding. The debt is being repaid from the Special Assessment Bond Retirement 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, 2015 are as follows:

| Year Ending December 31, | Principal | Interest | Total |
|-----------------------------|-------------------|------------------|-------------------|
| 2016 | \$ 37,956 | \$ 11,928 | \$ 49,884 |
| 2017 | 27,794 | 10,296 | 38,090 |
| 2018 | 28,494 | 8,908 | 37,402 |
| 2019 | 14,894 | 7,647 | 22,541 |
| 2020 | 14,894 | 6,847 | 21,741 |
| 2021-2025 | 80,200 | 22,663 | 102,863 |
| 2026-2030 | 27,900 | 5,153 | 33,053 |
| 2031-2033 | 9,500 | 965 | 10,465 |
| | <u>\$ 241,632</u> | <u>\$ 74,407</u> | <u>\$ 316,039</u> |

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2015

Governmental Activities:

General Obligation Bonds – As of December 31, 2015, the County has \$5,580,413 in general obligation bonded debt outstanding that is being retired by the Bond Retirement Fund.

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 percent. 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 were removed from the financial statements. As of December 31, 2015 the entire amount of defeased bonds were repaid.

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.

On September 15, 2014, the County issued bonds in the amount of \$185,000. The bonds were issued for the purpose of constructing an office building for the Guernsey Soil and Water Conservation District. The bonds were issued for a twenty year period at a 3.50 percent interest rate.

On June 24, 2015, the County issued bonds in the amount of \$173,000. The bonds were issued for the purpose of purchasing a multi-agency radio communication system and vehicles repeaters for the sheriff's office. The bonds were issued for a five year period at a 2.20 percent interest rate.

On November 9, 2015, the County issued bonds in the amount of \$250,000. The bonds were issued for the purpose of replacing the roof on the Guernsey County Law Enforcement Center. The bonds were issued for a five year period at a 2.25 percent interest rate.

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2015

Principal and interest requirements to retire the general obligation bonds outstanding at December 31, 2015 are as follows:

| Year Ending December 31, | Principal | Interest | Total |
|-----------------------------|--------------|------------|--------------|
| 2016 | \$ 608,519 | \$ 131,434 | \$ 739,953 |
| 2017 | 533,968 | 116,123 | 650,091 |
| 2018 | 541,605 | 103,917 | 645,522 |
| 2019 | 554,323 | 91,518 | 645,841 |
| 2020 | 572,125 | 78,817 | 650,942 |
| 2021-2025 | 1,978,385 | 219,981 | 2,198,366 |
| 2026-2030 | 743,232 | 45,102 | 788,334 |
| 2031-2034 | 48,256 | 3,873 | 52,129 |
| | \$ 5,580,413 | \$ 790,765 | \$ 6,371,178 |

Ohio Public Works Commission (OPWC) Loan – As of December 31, 2015, the County has a \$33,286 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 Motor Vehicle and Gasoline Tax Fund. This loan is interest free. Principal requirements to retire the OPWC loans outstanding at December 31, 2015 are as follows:

| Year Ending December 31, | Principal |
|-----------------------------|-----------|
| 2016 | \$ 2,663 |
| 2017 | 2,663 |
| 2018 | 2,663 |
| 2019 | 2,662 |
| 2020 | 2,663 |
| 2021-2025 | 13,315 |
| 2026-2028 | 6,657 |
| | \$ 33,286 |

Business-Type Activities:

General Obligation Bonds – As of December 31, 2015, the County has \$2,706,912 in general obligation bonded debt outstanding. The bonds were issued to construct lines and a building associated with the County water system. The County issued a new bond during 2014 for the purchase of an F550 Cab and Chassis for the Water department. These bonds will be repaid from revenues derived by the County from the operation of the water system.

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2015

Principal requirements to retire the general obligation bonds outstanding at December 31, 2015 are as follows:

| Year Ending December 31, | Principal | Interest | Total |
|-----------------------------|--------------|--------------|--------------|
| 2016 | \$ 104,334 | \$ 125,697 | \$ 230,031 |
| 2017 | 108,793 | 121,144 | 229,937 |
| 2018 | 113,716 | 116,395 | 230,111 |
| 2019 | 118,611 | 111,421 | 230,032 |
| 2020 | 114,071 | 106,275 | 220,346 |
| 2021-2025 | 653,631 | 447,945 | 1,101,576 |
| 2026-2030 | 814,040 | 283,533 | 1,097,573 |
| 2031-2034 | 679,716 | 79,952 | 759,668 |
| | \$ 2,706,912 | \$ 1,392,362 | \$ 4,099,274 |

Ohio Water Development Authority (OWDA) Loans - 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.

The County entered into an OWDA loan in 2011 for the Buffalo/Derwent sewer construction project.

The County entered into an OWDA loan in 2015 for the Coventry Estates and Beech Meadows waste water treatment plants. \$533,155 has been drawn down by the County as of December 31, 2015. Upon completion of the project, the loan will be repaid over a twenty year period. As of December 31, 2015 the OWDA had not completed an amortization schedule, therefore, the loan is not included in the following amortization schedule. As of December 31, 2015, the balance of this loan is \$533,918, which includes \$763 of capitalized interest.

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2015

Principal and interest requirements to retire the Enterprise Funds OWDA loans outstanding at December 31, 2015 are as follows:

| Year Ending December 31, | Principal | Interest | Total |
|-----------------------------|--------------|------------|--------------|
| 2016 | \$ 61,542 | \$ 18,851 | \$ 80,393 |
| 2017 | 62,422 | 17,971 | 80,393 |
| 2018 | 63,316 | 17,077 | 80,393 |
| 2019 | 64,225 | 16,167 | 80,392 |
| 2020 | 65,153 | 15,242 | 80,395 |
| 2021-2025 | 340,231 | 61,734 | 401,965 |
| 2026-2030 | 289,469 | 38,522 | 327,991 |
| 2031-2035 | 240,473 | 23,217 | 263,690 |
| 2036-2040 | 252,771 | 10,919 | 263,690 |
| 2041-2043 | 78,323 | 785 | 79,108 |
| | \$ 1,517,925 | \$ 220,485 | \$ 1,738,410 |

Ohio Public Works Commission (OPWC) Loans – In 2015 the County entered into two loans with OPWC for the improvements at Coventry Estates and Beech Meadows waste water treatment plants. At December 31, 2015 the County had drawn down \$213,876 and \$377,022 for the Coventry Estates and Beech Meadows waste water treatment plant improvements, respectively. Both loans are for \$499,999 and will be repaid over a twenty year period. As of December 31, 2015 the OPWC had not completed an amortization schedule, therefore, the loan is not included in the following amortization schedule.

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2015

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 40 year period.

Principal requirements to retire the USDA loan outstanding at December 31, 2015 are as follows:

| Year Ending December 31, | Principal | Interest | Total |
|-----------------------------|--------------|--------------|--------------|
| 2016 | \$ 48,000 | \$ 133,452 | \$ 181,452 |
| 2017 | 50,000 | 131,288 | 181,288 |
| 2018 | 52,000 | 129,413 | 181,413 |
| 2019 | 54,000 | 127,463 | 181,463 |
| 2020 | 56,000 | 125,781 | 181,781 |
| 2021-2025 | 311,000 | 594,508 | 905,508 |
| 2026-2030 | 376,000 | 531,517 | 907,517 |
| 2031-2035 | 452,000 | 455,470 | 907,470 |
| 2036-2040 | 541,000 | 364,372 | 905,372 |
| 2041-2045 | 652,000 | 254,676 | 906,676 |
| 2046-2050 | 782,000 | 122,992 | 904,992 |
| 2051 | 175,000 | 6,563 | 181,563 |
| | \$ 3,549,000 | \$ 2,977,495 | \$ 6,526,495 |

The County has pledged future customer revenues, net of specified operating expenses, to repay \$2,642,741 in OWDA and OPWC loans issued from 2006 to 2015. 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 2043. 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 5.21 percent. The total principal and interest remaining to be paid on the loans is \$2,863,226. Principal and interest paid for the current year and total net revenues were \$80,393 and \$1,543,349, respectively.

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.

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2015

Note 11 – Commitments

A. Contractual Commitments

At December 31, 2015, the County had contractual commitments for the following projects:

| | Contractual Commitment | Expended | Balance 12/31/2015 |
|-----------------------------|---------------------------|--------------|-----------------------|
| Waste Water Treatment Plant | \$ 1,859,300 | \$ 1,189,613 | \$ 669,687 |
| Roof Replacement | 410,500 | 231,700 | 178,800 |
| Totals | \$ 2,269,800 | \$ 1,421,313 | \$ 848,487 |

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 | \$ 181,564 |
| Public Assistance | 251,857 |
| Motor Vehicle and Gasoline Tax | 80,400 |
| Board of Developmental Disabilities | 164,935 |
| Other Governmental Funds | 530,636 |
| Totals | \$ 1,209,392 |

Note 12 – Interfund Activity

A. Interfund Transfers

During 2015 the following transfers were made:

| Transfer To | Transfers From | | | Total |
|-------------------------|----------------|-----------------------|------------|------------|
| | General | Other Governmental | Water | |
| Public Assistance | \$ 81,795 | \$ 0 | \$ 0 | \$ 81,795 |
| Motor Vehicle & Gas Tax | 29,165 | 0 | 0 | 29,165 |
| Other Governmental | 390,655 | 9,812 | 225,610 | 626,077 |
| Non-Major Enterprise | 26,000 | 0 | 0 | 26,000 |
| <i>Total</i> | \$ 527,615 | \$ 9,812 | \$ 225,610 | \$ 763,037 |

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2015

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 use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The Court Fund transferred \$9,812 to the VOCA Grant Fund for the local matching share of grant funds per court order.

The General Fund and Water Fund transferred \$30,415 and \$225,610, respectively, to the non-major debt service funds for debt payments. All other transfers were made from the General Fund to various other funds to provide additional resources for current operations.

B. Interfund Advances

During 2015 the following advances were made:

| <u>Advances To</u> | <u>Advances From</u> | | | <u>Total</u> |
|----------------------|----------------------|-------------------------------|--------------------------------|-------------------|
| | <u>General</u> | <u>Other Governmental</u> | <u>Nonmajor Enterprise</u> | |
| General | \$ 0 | \$ 150 | \$ 4,327 | \$ 4,477 |
| Other Governmental | 150 | 0 | 0 | 150 |
| Non-Major Enterprise | <u>230,712</u> | <u>0</u> | <u>0</u> | <u>230,712</u> |
| <i>Total</i> | <u>\$ 230,862</u> | <u>\$ 150</u> | <u>\$ 4,327</u> | <u>\$ 235,339</u> |

During the year, the General Fund advanced the Corrections Fund and the Sewer Fund \$150 and \$230,712, respectively. During the year the Corrections Fund and the Sewer Fund repaid \$150 and \$4,327, respectively, to the General Fund.

Note 13 – 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.

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2015

Note 14 – 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 | \$ 86,871 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 86,871 |
| Restricted for: | | | | | | |
| Debt Service | 0 | 0 | 0 | 0 | 163,670 | 163,670 |
| Capital Outlay | 0 | 0 | 0 | 0 | 2,202,396 | 2,202,396 |
| Public Works | 0 | 0 | 1,280,028 | 0 | 0 | 1,280,028 |
| Human Services | 0 | 741,071 | 0 | 0 | 0 | 741,071 |
| Children Services | 0 | 0 | 0 | 0 | 2,516,289 | 2,516,289 |
| Health Services | 0 | 0 | 0 | 14,235,425 | 0 | 14,235,425 |
| Other Purposes | 0 | 0 | 0 | 0 | 2,514,765 | 2,514,765 |
| Total Restricted | 0 | 741,071 | 1,280,028 | 14,235,425 | 7,397,120 | 23,653,644 |
| Committed for: | | | | | | |
| Capital Outlay | 0 | 0 | 0 | 0 | 11,816 | 11,816 |
| Severance Payments | 55,000 | 0 | 0 | 0 | 0 | 55,000 |
| Total Committed | 55,000 | 0 | 0 | 0 | 11,816 | 66,816 |
| Assigned for: | | | | | | |
| Subsequent Year | | | | | | |
| Appropriations | 1,852,325 | 0 | 0 | 0 | 0 | 1,852,325 |
| Encumbrances: | | | | | | |
| Legislative and Executive | 71,109 | 0 | 0 | 0 | 0 | 71,109 |
| Judicial | 16,177 | 0 | 0 | 0 | 0 | 16,177 |
| Public Safety | 77,610 | 0 | 0 | 0 | 0 | 77,610 |
| Human Services | 16,668 | 0 | 0 | 0 | 0 | 16,668 |
| Total Assigned | 2,033,889 | 0 | 0 | 0 | 0 | 2,033,889 |
| Unassigned | 6,293,681 | 0 | 0 | 0 | 0 | 6,293,681 |
| Total Fund Balance | \$ 8,469,441 | \$ 741,071 | \$ 1,280,028 | \$ 14,235,425 | \$ 7,408,936 | \$ 32,134,901 |

Note 15 – 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 2015. 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 2015, the County made no contributions to the Guernsey-Monroe-Noble Community Action Corporation.

C. Southeast Ohio Juvenile Rehabilitation District (SEOJRD)

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

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2015

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 2015, 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 2015, the County made a \$289 contribution to the Council.

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 2015, Guernsey County began collecting a 1.0 mill levy approved by the voters in 2014. The Board is also supported by levies from other member counties, and state and federal grants awarded to the multi-county board. Continued existence of the Board is not dependent on County's continued participation. The County has no equity interest in, or financial responsibility for the Board. The Board has no outstanding debt.

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2015

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 2014, 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 2015, Guernsey County made \$90,122 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 2015, OMEGA received \$4,418 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.

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2015

The Bureau has no outstanding debt. During 2015, the County made a contribution of \$5,367 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 2015, the County made payments of \$1,085 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 2015, 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 seven individuals appointed by the Mayor of Zanesville, two people appointed by Muskingum County Commissioners, one individual appointed by the Mayor of South Zanesville, one person appointed by the Guernsey County Commissioners and one person appointed by the Mayor of Cambridge. During 2015, SEAT received \$500,033 from Guernsey County along with a contribution of \$5,000. The continued existence of SEAT 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, 2015, SEAT owed \$101,288 on a revenue anticipation note.

Note 16 – 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 2015, 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 2015, 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 2015, the County made a contribution of \$6,000 to the 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 2015, the County contributed \$70,000 to the Authority.

Note 17 – 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 18 – 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.

Several claims and/or lawsuits are pending against the County. Based upon information provided by the County's legal counsel, any potential liability would not have a material effect on the financial statements.

Guernsey County, Ohio
Notes to the Cash Financial Statements
For the Year Ended December 31, 2015

Note 19 – 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 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 asset/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 County.

GUERNSEY COUNTY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

| FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title | Pass Through Entity Number | Federal CFDA Number | Passed Through to Subrecipients | Total Federal Expenditures |
|---|----------------------------------|---------------------------|---------------------------------------|---------------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | | |
| <i>Passed Through Ohio Department of Education</i> | | | | |
| National School Lunch Program | | | | |
| Cash Assistance | 071118-LLPA-4 | 10.555 | | <u>\$3,392</u> |
| Total National School Lunch Program | | | | <u>3,392</u> |
| Child Nutrition Discretionary Grants Limited Availability | 14142OH811N8103 | 10.579 | | 15,121 |
| <i>Passed Through Ohio Department of Jobs and Family Services</i> | | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | G-1415-11-5363/G-1617-11-5517 | 10.561 | | <u>402,386</u> |
| Total U.S. Department of Agriculture | | | | 420,899 |
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | | |
| <i>Passed Through Ohio Development Services Agency</i> | | | | |
| Community Development Block Grants-State's Program | B-C-13-1BB-1 B-F-14-1BB-1 | 14.228 | | 52,919 |
| Total Community Development Block Grant-State's Program | | | | <u>7,000</u> 59,919 |
| Home Investment Partnerships Program | B-C-13-1BB-2 | 14.239 | | <u>176,077</u> |
| Total U.S. Department of Housing and Urban Development | | | | 235,996 |
| U.S. DEPARTMENT OF JUSTICE | | | | |
| <i>Passed Through Ohio Attorney General - Crime Victims Section</i> | | | | |
| Two-Days in May Mini-Grant | N/A | 16.575 | | <u>908</u> |
| Total U.S. Department of Justice | | | | 908 |
| U.S. DEPARTMENT OF LABOR | | | | |
| <i>Passed Through Workforce Investment Act Area 7</i> | | | | |
| OMJ Center Resource Sharing | N/A | 17.207 | | 6,792 |
| Workforce Investment Act (WIA) Cluster: | | | | |
| WIA Adult Program | N/A | 17.258 | | 109,582 |
| WIA Adult Program - Admin | N/A | | | 1,368 |
| Total WIA Adult Programs | | | | <u>110,950</u> |
| WIA Youth Activities | N/A | 17.259 | \$64,400 | 136,420 |
| WIA Youth Activities - Admin | N/A | | | 1,314 |
| Total WIA Youth Activities | | | <u>64,400</u> | <u>137,734</u> |
| WIA Dislocated Worker Formula Grants | N/A | 17.278 | | 88,481 |
| WIA Dislocated Workers - Admin | N/A | | | 2,131 |
| Total WIA Dislocated Workers | | | | <u>90,612</u> |
| Total Workforce Investment Act Cluster | | | <u>64,400</u> | <u>339,296</u> |
| Total U.S. Department of Labor | | | 64,400 | 346,088 |
| U.S. DEPARTMENT OF TRANSPORTATION | | | | |
| <i>Passed Through Ohio Department of Transportation</i> | | | | |
| Highway Planning and Construction | PID 94658 PID 99401 | 20.205 | | 232,956 |
| Total Highway Planning and Construction | | | | <u>18,573</u> <u>251,529</u> |
| Total U.S. Department of Transportation | | | | 251,529 |

GUERNSEY COUNTY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

| FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title | Pass Through Entity Number | Federal CFDA Number | Passed Through to Subrecipients | Total Federal Expenditures |
|--|----------------------------------|---------------------------|---------------------------------------|-------------------------------|
| U.S. DEPARTMENT OF EDUCATION | | | | |
| <i>Passed Through Ohio Department of Education</i> | | | | |
| Special Education - Grants to States | 071118-6BSF | 84.027 | | \$ 8,423 |
| <i>Passed Through Ohio Department of Health</i> | | | | |
| Special Education - Grants for Infants and Families | 2015 | 84.181 | \$82,502 | 82,502 |
| Total U.S. Department of Education | | | 82,502 | 90,925 |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | |
| <i>Passed Through Ohio Secretary of State</i> | | | | |
| Help America Vote Act Requirements Payments | 2015 | 90.401 | | 715 |
| <i>Passed Through Ohio Department of Developmental Disabilities</i> | | | | |
| Social Services Block Grant | 2015 | 93.667 | | 30,186 |
| Medical Assistance Program | MAC | 93.778 | | 103,348 |
| <i>Passed through Ohio Department of Jobs and Family Services</i> | | | | |
| System of Care Expansion Implementation Grant | N/A | 93.243 | | 8,850 |
| Promoting Safe and Stable Families | N/A | 93.556 | 22,991 | 164,751 |
| Temporary Assistance for Needy Families | G-1415-11-5363/G-1617-11-5517 | 93.558 | 88,289 | 1,836,590 |
| Child Support Enforcement | G-1415-11-5363/G-1617-11-5517 | 93.563 | 257,738 | 940,128 |
| Child Care and Development Block Grant | G-1415-11-5363/G-1617-11-5517 | 93.575 | | 88,097 |
| Community-Based Child Abuse Prevention Grants | G-1415-11-5364/G-1617-11-5518 | 93.590 | | 2,000 |
| Stephanie Tubbs Jones Child Welfare Services Program | G-1415-11-5364/G-1617-11-5518 | 93.645 | | 103,379 |
| Foster Care - Title IV-E | G-1415-11-5364/G-1617-11-5518 | 93.658 | | 827,609 |
| Adoption Assistance | G-1415-11-5364/G-1617-11-5518 | 93.659 | | 430,054 |
| Social Services Block Grant | G-1415-11-5363/G-1617-11-5517 | 93.667 | | 166,789 |
| Chafee Foster Care Independence Program | G-1415-11-5364/G-1617-11-5518 | 93.674 | | 15,527 |
| Medical Assistance Program | G-1415-11-5363/G-1617-11-5517 | 93.778 | | 761,352 |
| | G-1415-11-5364/G-1617-11-5518 | | | 6,939 |
| Total Medical Assistance Program | | | | 768,291 |
| Total U.S. Department of Health and Human Services | | | 369,018 | 5,486,314 |
| U.S. DEPARTMENT OF HOMELAND SECURITY | | | | |
| <i>Passed Through Ohio Emergency Management Agency</i> | | | | |
| Emergency Management Performance Grants | EMW-2014-EP-00064 | 97.042 | | 25,682 |
| | EMW-2015-EP-00034-S01 | | | 27,758 |
| Total U.S. Department of Homeland Security | | | | 53,440 |
| Total Federal Awards Expenditures | | | \$515,920 | \$6,886,099 |

The accompanying notes are an integral part of this schedule.

GUERNSEY COUNTY

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED DECEMBER 31, 2015**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Guernsey County, Ohio (the County) under programs of the federal government for the year ended December 31, 2015. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - SUBRECIPIENTS

The County passes certain federal awards received from the U.S. Department of Health and Human Services, U.S. Department of Education, and U.S. Department of Labor to other governments or not-for-profit agencies (subrecipients). As Note B 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 - 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.

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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, each major fund, and the aggregate remaining fund information of Guernsey County, Ohio (the County), as of and for the year ended December 31, 2015, 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 14, 2016, wherein we noted the County uses a special purpose framework other than generally accepted accounting principles. We gave an Adverse Opinion on the Discretely Presented Component Unit as the County's cash basis financial statements excluded the financial activities for the Guernsey County Port Authority. In addition, we noted the County adopted Governmental Accounting Standards Board Statement (GASB) No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

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.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider Finding 2015-001 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2015-001.

County's Response to Finding

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

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 14, 2016



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 THE UNIFORM GUIDANCE

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) *Compliance Supplement* that could directly and materially affect each of the County's major federal programs for the year ended December 31, 2015. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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 each of the County's major programs. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2015.

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 the Uniform Guidance, 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.

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 compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Dave Yost
Auditor of State
Columbus, Ohio

September 14, 2016

GUERNSEY COUNTY
SCHEDULE OF FINDINGS
2 CFR PART 200.515
DECEMBER 31, 2015

| |
|--|
| 1. SUMMARY OF AUDITOR'S RESULTS |
|--|

| | | |
|---------------------|--|---|
| (d)(1)(i) | Type of Financial Statement Opinion | Discretely Presented Component Unit – Adverse All other opinion units - Unmodified |
| (d)(1)(ii) | Were there any material weaknesses in internal control 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 weaknesses in internal control reported for major federal programs? | No |
| (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 | Unmodified |
| (d)(1)(vi) | Are there any reportable findings under 2 CFR Part 200.516(a)? | No |
| (d)(1)(vii) | Major Programs (list): <ul style="list-style-type: none"> • Supplemental Nutrition Assistance Program, CFDA No. 10.561 • Workforce Investment Act Cluster, CFDA Nos. 17.258, 17.259, 17.278 • Highway Planning & Construction, CFDA No. 20.205 • Temporary Assistance for Needy Families, CFDA No. 93.558 | |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$ 750,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee under 2 CFR Part 200.520? | No |

GUERNSEY COUNTY

**SCHEDULE OF FINDINGS
2 CFR PART 200.515
DECEMBER 31, 2015
(Continued)**

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

FINDING NUMBER 2015-001

Noncompliance and Material Weakness

Ohio Rev. Code § 117.38 provides that each public office shall file with the Auditor of State a financial report for each fiscal year, within sixty days after the close of the fiscal year, except that public offices reporting pursuant to generally accepted accounting principles shall file their reports within one hundred fifty days after the close of the 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 § 117-2-03 further clarifies the requirements of Ohio Rev. Code § 117.38.

Ohio Admin. Code § 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 the cash basis of accounting. 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 did not include the activity of a component unit, the Guernsey County Port Authority, in its annual financial report pursuant to Governmental Accounting Standards Board Codification (GASB) Section 2100 due to the fact the Guernsey County Port Authority financial statements are prepared on a different financial reporting framework than the County. Pursuant to Ohio Rev. Code § 117.38, the County may be fined and subject to various other administrative remedies for its failure to file the required financial report. In addition, the omission of the Guernsey County Port Authority has resulted in a modification of our opinion over the County's financial statements.

The County should take the necessary steps to help 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.

Officials' Response: Guernsey County has not filed GAAP financial statements, as the cost related to GAAP filing is prohibitive as compared to the benefit realized by management or users of the financial statements.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

GUERNSEY COUNTY

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR PART 200.511(b)
DECEMBER 31, 2015**

| Finding Number | Finding Summary | Status | Additional Information |
|-----------------------|---|--|---|
| 2014-001 | A noncompliance citation and material weakness was reported under Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) for not preparing and filing the annual report in accordance with generally accepted accounting principles. Finding initially occurred in fiscal year 2004. | Not Corrected. Reissued in the current audit as Finding Number 2015-001. | The finding has recurred due to management's decision to continue to file cash basis financial statements. No corrective action will be taken since such action would be cost prohibitive. Therefore no further action is warranted. |
| 2014-002 | A noncompliance citation and material weakness was reported under 24 C.F.R. § 85.21(c) and Ohio Dept. of Development, Office of Housing and Community Partnership Financial Management Rules and Regulations Handbook, § (A)(3)(f) for not complying with the Fifteen-Day rule. Finding initially occurred in fiscal year 2006. | Not Corrected. | The City of Cambridge initiates cash drawdowns and oversees disbursements. The Office of Community Development is to monitor the cash balances held in county funds, in order to determine when and how much cash to request. In some instances this has not occurred. The City will continue to work toward eliminating excess cash balances through careful monitoring. |

GUERNSEY COUNTY

**CORRECTIVE ACTION PLAN
2 CFR PART 200.511(c)
DECEMBER 31, 2015**

| Finding Number | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|-----------------------|---|------------------------------------|-----------------------------------|
| 2015-001 | As the cost related to GAAP filing is prohibitive compared to the benefit realized by management and users of the financial statements, the County will continue to file cash basis financial statements. | December 31, 2016 | Guernsey County Auditor |
| 2014-002 | The City of Cambridge – Office of Community Development will monitor drawdown procedures and forecasting of expenses, in collaboration with the County, to eliminate excess cash balances. | December 31, 2016 | Guernsey County Commissioners |



Dave Yost • Auditor of State

GUERNSEY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 27, 2016