



Dave Yost • Auditor of State



**GUERNSEY COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Guernsey County  
627 Wheeling Avenue  
Cambridge, Ohio 43725

To the Board of County Commissioners:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Guernsey County, Ohio (the County), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We did not audit the financial statements of Guernsey Industries, Inc., which represent 37 percent, 37 percent, and 45 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amount included for Guernsey Industries, Inc., is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

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

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

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**Summary of Opinions**

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

***Basis for Qualified Opinion on the Aggregate Discretely Presented Component Units***

The financial statements of the Guernsey County Port Authority were not audited, and we were not engaged to audit the Guernsey County Port Authority's financial statements as part of our audit of the County's basic financial statements. The Guernsey County Port Authority's financial activities are excluded from the County's basic financial statements as a discretely presented component unit and represents 63 percent, 63 percent and 55 percent of the assets, net position and receipts, respectively, of the County's aggregate discretely presented component units.

***Qualified Opinion on the Aggregate Discretely Presented Component Units***

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of Guernsey County, Ohio, as of and for the year ended December 31, 2013, and the respective changes in financial position thereof for the year then ended in accordance with the accounting basis described in Note 19.

***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, 2013, and the respective changes in cash financial position and the respective budgetary comparison for the General, Public Assistance, Motor Vehicle and Gasoline Tax, and Board of Developmental Disabilities funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

Ohio Administrative Code § 117-2-03(B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Other Matters***

*Supplemental and Other Information*

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

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

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

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

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2014, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

September 15, 2014



**Guernsey County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*

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The discussion and analysis of Guernsey County's financial performance provides an overview of the County's financial activities for the year ended December 31, 2013, 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 2013 are as follows:

- Net cash position of governmental activities increased \$3,450,993.
- At the end of the current year, the County's governmental funds reported a combined ending fund balance of \$25,554,238, an increase of \$3,114,300 from the prior year.

**Using this Annual Financial Report**

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

**Basis of Accounting**

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

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

**County-Wide Financial Statements**

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

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

**Guernsey County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*

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

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

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

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

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

***Fund Financial Statements***

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

*Governmental Funds* – Governmental funds are used to account for essentially the same functions reported as governmental activities on the government-wide financial statements. Most of the County's basic services are reported in these funds that focus on how money flows into and out of the funds and the year-end balances available for spending.

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

**Guernsey County, Ohio**  
*Management's Discussion and Analysis*  
For the Year Ended December 31, 2013

*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 2013 compared to 2012.

A portion of the County's governmental activities net position, \$21,216,749, or 79 percent, represents resources that are subject to restrictions on how they can be used. The remaining balance of unrestricted net position, \$5,632,264, or 21 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	
	2013	2012	2013	2012	2013	2012
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$ 24,400,197	\$ 20,916,741	\$ 994,227	\$ 1,466,296	\$ 25,394,424	\$ 22,383,037
Cash and Cash Equivalents:						
In Segregated Accounts	74,775	70,182	0	0	74,775	70,182
With Fiscal Agents	2,374,041	2,411,097	0	0	2,374,041	2,411,097
<b>Total Assets</b>	<b>\$ 26,849,013</b>	<b>\$ 23,398,020</b>	<b>\$ 994,227</b>	<b>\$ 1,466,296</b>	<b>\$ 27,843,240</b>	<b>\$ 24,864,316</b>
<b>Net Position</b>						
Restricted for:						
Capital Projects	\$ 1,052,347	\$ 917,678	\$ 0	\$ 0	\$ 1,052,347	\$ 917,678
Debt Service	245,054	239,815	0	0	245,054	239,815
Motor Vehicle Gas Tax	1,333,769	1,399,163	0	0	1,333,769	1,399,163
Public Assistance	615,489	589,131	0	0	615,489	589,131
Children Services	1,561,712	1,586,124	0	0	1,561,712	1,586,124
Developmental Disabilities	12,925,413	12,636,553	0	0	12,925,413	12,636,553
Other Purposes	3,482,965	2,764,787	0	0	3,482,965	2,764,787
Unrestricted	5,632,264	3,264,769	994,227	1,466,296	6,626,491	4,731,065
<b>Total Net Position</b>	<b>\$ 26,849,013</b>	<b>\$ 23,398,020</b>	<b>\$ 994,227</b>	<b>\$ 1,466,296</b>	<b>\$ 27,843,240</b>	<b>\$ 24,864,316</b>

**Guernsey County, Ohio**  
*Management's Discussion and Analysis*  
For the Year Ended December 31, 2013

Table 2 shows the changes in net position for 2013 compared to 2012.

**Table 2**  
**Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Receipts:</b>						
<i>Program Receipts:</i>						
Charges for Services	\$ 5,902,903	\$ 5,905,468	\$ 3,216,799	\$ 2,759,394	\$ 9,119,702	\$ 8,664,862
Operating Grants & Contributions	16,559,867	17,433,937	0	0	16,559,867	17,433,937
Capital Grants & Contributions	802,127	2,549,351	886,364	2,464,708	1,688,491	5,014,059
<b>Total Program Receipts</b>	<b>23,264,897</b>	<b>25,888,756</b>	<b>4,103,163</b>	<b>5,224,102</b>	<b>27,368,060</b>	<b>31,112,858</b>
<i>General Receipts:</i>						
Property Taxes	7,215,442	6,710,300	12,180	15,303	7,227,622	6,725,603
Permissive Sales Tax	8,140,195	6,886,984	0	0	8,140,195	6,886,984
Grants and Entitlements	1,231,742	968,015	0	0	1,231,742	968,015
Investment Earnings	236,423	264,764	7,087	0	243,510	264,764
General Obligation Bonds Issued	0	5,670,000	0	0	0	5,670,000
Proceeds of USDA Loan	0	0	0	3,532,449	0	3,532,449
Proceeds of OWDA Loans	0	0	262,521	705,895	262,521	705,895
Miscellaneous	518,271	469,710	24,381	76,853	542,652	546,563
<b>Total General Receipts</b>	<b>17,342,073</b>	<b>20,969,773</b>	<b>306,169</b>	<b>4,330,500</b>	<b>17,648,242</b>	<b>25,300,273</b>
<b>Total Receipts</b>	<b>40,606,970</b>	<b>46,858,529</b>	<b>4,409,332</b>	<b>9,554,602</b>	<b>45,016,302</b>	<b>56,413,131</b>
<b>Program Disbursements:</b>						
<i>General Government</i>						
Legislative and Executive	5,545,127	5,198,974	0	0	5,545,127	5,198,974
Judicial	3,095,515	2,923,023	0	0	3,095,515	2,923,023
Public Safety	3,815,538	3,496,690	0	0	3,815,538	3,496,690
Public Works	5,634,830	6,957,039	0	0	5,634,830	6,957,039
Health	7,879,340	6,831,455	0	0	7,879,340	6,831,455
Human Services	9,580,582	9,959,990	0	0	9,580,582	9,959,990
Economic Development	515,606	721,205	0	0	515,606	721,205
Other	283,024	280,116	0	0	283,024	280,116
Capital Outlay	525,123	378,083	0	0	525,123	378,083
<i>Debt Service</i>						
Principal	755,406	744,312	0	0	755,406	744,312
Refunding of Bonds to Escrow Agent	0	5,609,331	0	0	0	5,609,331
Interest and Fiscal Charges	193,525	242,047	0	0	193,525	242,047
Issuance Costs	0	55,680	0	0	0	55,680
Sewer	0	0	1,672,155	7,243,903	1,672,155	7,243,903
Water	0	0	2,541,607	2,153,801	2,541,607	2,153,801
<b>Total Disbursements</b>	<b>37,823,616</b>	<b>43,397,945</b>	<b>4,213,762</b>	<b>9,397,704</b>	<b>42,037,378</b>	<b>52,795,649</b>
<i>Excess/(Deficiency) Before Transfers and Advances</i>						
	2,783,354	3,460,584	195,570	156,898	2,978,924	3,617,482
<i>Transfers</i>						
Transfers	199,509	221,990	(199,509)	(221,990)	0	0
<i>Advances</i>						
Advances	468,130	(337,000)	(468,130)	337,000	0	0
<b>Change in Net Position</b>	<b>3,450,993</b>	<b>3,345,574</b>	<b>(472,069)</b>	<b>271,908</b>	<b>2,978,924</b>	<b>3,617,482</b>
<b>Net Position, Beginning of Year</b>	<b>23,398,020</b>	<b>20,052,446</b>	<b>1,466,296</b>	<b>1,194,388</b>	<b>24,864,316</b>	<b>21,246,834</b>
<b>Net Position, End of Year</b>	<b>\$ 26,849,013</b>	<b>\$ 23,398,020</b>	<b>\$ 994,227</b>	<b>\$ 1,466,296</b>	<b>\$ 27,843,240</b>	<b>\$ 24,864,316</b>

**Guernsey County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*

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*Business-Type Activities* – The Sewer Fund reported a significant decrease in capital grants, loans and expenditures. This was the result of resources received and projects costs made in 2012 related to the Buffalo/Derwent sewer project.

*Governmental Activities* - Operating grants were the largest program receipts, accounting for \$16,559,867 or 41 percent of total receipts for governmental activities.

Property tax receipts accounted for \$7,215,442 or 18 percent of total governmental receipts. Another major component of general governmental receipts was permissive sales taxes, which accounted for \$8,140,195 or 20 percent of total receipts. This increase in sales tax is due to an increase in population from the oil and gas boom.

The County's direct charges to users of governmental services made up \$5,902,903 or 15 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.

Capital grants and contributions decreased \$1,747,224 from 2012 to 2013 due to the County receiving a large grant from the Ohio Department of Transportation in 2012.

Human services programs accounted for \$9,580,582 or 25 percent of total disbursements for governmental activities. Other major program disbursements for governmental activities include health, which accounted for \$7,879,340 or 21 percent of total disbursements, public works, which accounted for \$5,634,830 or 15 percent of total disbursements, and general government – legislative and executive, which accounted for \$5,545,127 or 15 percent of total disbursements.

Health expenses increased \$1,047,885 in 2013 due to an increase in expenses of the County's board of developmental disabilities. Public works expenses decreased by \$1,322,209 due to less road projects in fiscal year 2013.

Table 3, for governmental activities, indicates the total cost of services and the net cost of services for 2013 compared to 2012. 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, 2013*

Table 3  
**Total and Net Cost of Program Services**

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
General Government:				
Legislative and Executive	\$ 5,545,127	\$ 5,198,974	\$ 2,564,600	\$ 2,186,303
Judicial	3,095,515	2,923,023	1,650,424	1,552,386
Public Safety	3,815,538	3,496,690	2,698,996	2,572,833
Public Works	5,634,830	6,957,039	206,905	(53,751)
Health	7,879,340	6,831,455	4,020,276	2,890,223
Human Services	9,580,582	9,959,990	1,656,077	1,226,866
Economic Development	515,606	721,205	57,385	21,956
Other	283,024	280,116	283,024	280,116
Capital Outlay	525,123	378,083	472,101	180,887
Debt Service				
Principal	755,406	744,312	755,406	744,312
Refunding of Bonds to Escrow Agent	0	5,609,331	0	5,609,331
Interest and Fiscal Charges	193,525	242,047	193,525	242,047
Issuance Costs	0	55,680	0	55,680
<i>Total Disbursements</i>	<u>\$ 37,823,616</u>	<u>\$ 43,397,945</u>	<u>\$ 14,558,719</u>	<u>\$ 17,509,189</u>

Charges for services, operating grants and contributions, capital grants and contributions of \$23,264,897 or 62 percent of the total costs of services are received and used to fund the disbursements of the County. The remaining \$14,558,719 in disbursements is funded by property taxes, permissive sales taxes, intergovernmental receipts, interest and miscellaneous receipts.

*Business-Type Activities* – As of December 31, 2013, business-type funds of the County reported net position of \$994,227. This is a decrease of \$472,069 during 2013.

**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, 2013, the County's governmental funds reported a combined ending fund balance of \$25,554,238, an increase of \$3,114,300 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 \$2,045,802 during 2013. The primary reason for the increase is due to an increase in sales tax revenues. Sales revenues increased due to the oil and gas boom in the County.

At the end of 2013 the Public Assistance Fund had a fund balance of \$615,489 in comparison to a fund balance of \$589,131 at the end of 2012. This increase is primarily due to transfers.

**Guernsey County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*

At the end of 2013 the Motor Vehicle and Gasoline Tax Fund had a fund balance of \$1,333,769 in comparison to a fund balance of \$1,399,163 at the end of 2012. This decrease is primarily due to timing of revenues as compared to project costs.

At the end of 2013 the Board of Developmental Disabilities Fund had a fund balance of \$12,925,413, in comparison to the fund balance of \$12,636,553 at the end of 2012. This increase is due to receipts consistently exceeding disbursements as a result of improving 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 have been minimal. The actual budget basis revenue was \$13,462,364, representing an increase of \$2,399,312 compared to the final budget estimate of \$11,063,052. This increase is due to a conservative underestimation of sale tax receipts and charges for services. Fluctuations in growth and diversity have typically not occurred in Guernsey County, allowing department managers the ability to consistently predict receipts and disbursements.

Final expenditure appropriations of \$11,997,186 were \$586,079 higher than the actual expenditures of \$11,411,107, as cost savings were recognized mainly for general government throughout the year.

**Debt**

At December 31, 2013, Guernsey County had the following debt outstanding:

Table 4  
**Outstanding Debt at Year End**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Special Assessment Bonds	\$ 332,386	\$ 375,595	\$ 0	\$ 0	\$ 332,386	\$ 375,595
General Obligation Bonds	6,422,721	7,132,255	2,848,356	2,931,681	9,271,077	10,063,936
OWDA Loans	0	0	1,638,428	1,518,843	1,638,428	1,518,843
OPWC Loans	38,612	41,275	0	0	38,612	41,275
USDA Loan	0	0	3,641,000	3,641,000	3,641,000	3,641,000
<i>Total</i>	<u>\$ 6,793,719</u>	<u>\$ 7,549,125</u>	<u>\$ 8,127,784</u>	<u>\$ 8,091,524</u>	<u>\$14,921,503</u>	<u>\$15,640,649</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 7.7 percent in December 2013. This rate is higher than the State of Ohio rate of 7.2 percent in December of 2013.

The County's \$685,664,600 overall assessed valuation has increased \$33,698,320 from the prior year. This increase is attributable to a triennial update and change of value on public utilities.

**Guernsey County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*

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**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, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Guernsey Industries
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 24,400,197	\$ 994,227	\$ 25,394,424	\$ 83,362
Cash and Cash Equivalents in Segregated Accounts	74,775	0	74,775	0
Cash and Cash Equivalents with Fiscal Agent	2,374,041	0	2,374,041	0
<i>Total Assets</i>	<u>\$ 26,849,013</u>	<u>\$ 994,227</u>	<u>\$ 27,843,240</u>	<u>\$ 83,362</u>
<b>Net Position</b>				
Restricted for:				
Capital Outlay	\$ 1,052,347	\$ 0	\$ 1,052,347	0
Debt Service	245,054	0	245,054	0
Motor Vehicle and Gasoline Tax	1,333,769	0	1,333,769	0
Public Assistance	615,489	0	615,489	0
Children Services	1,561,712	0	1,561,712	0
Developmental Disabilities	12,925,413	0	12,925,413	0
Other Purposes	3,482,965	0	3,482,965	0
Unrestricted	5,632,264	994,227	6,626,491	83,362
<i>Total Net Position</i>	<u>\$ 26,849,013</u>	<u>\$ 994,227</u>	<u>\$ 27,843,240</u>	<u>\$ 83,362</u>

See accompanying notes to the basic financial statements.

**Guernsey County, Ohio**  
*Statement of Activities - Cash Basis*  
For the Year Ended December 31, 2013

	Cash Disbursements	Charges for Services and Sales	Program Receipts	
			Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest
<b>Governmental Activities:</b>				
General Government:				
Legislative and Executive	\$ 5,545,127	\$ 2,980,527	\$ 0	\$ 0
Judicial	3,095,515	1,173,173	271,918	0
Public Safety	3,815,538	396,036	720,506	0
Public Works	5,634,830	388,480	4,238,567	800,878
Health	7,879,340	722,109	3,136,955	0
Human Services	9,580,582	184,360	7,740,145	0
Economic Development and Assistance	515,606	6,445	451,776	0
Other	283,024	0	0	0
Capital Outlay	525,123	51,773	0	1,249
Debt Service:				
Principal Retirements	755,406	0	0	0
Interest and Fiscal Charges	193,525	0	0	0
<i>Total Governmental Activities</i>	<u>37,823,616</u>	<u>5,902,903</u>	<u>16,559,867</u>	<u>802,127</u>
<b>Business-Type Activities:</b>				
Sewer Fund	1,672,155	735,679	0	886,364
Water Fund	2,541,607	2,481,120	0	0
<i>Total Business-Type Activities</i>	<u>4,213,762</u>	<u>3,216,799</u>	<u>0</u>	<u>886,364</u>
<i>Total - Primary Government</i>	<u>\$ 42,037,378</u>	<u>\$ 9,119,702</u>	<u>\$ 16,559,867</u>	<u>\$ 1,688,491</u>
<b>Component Unit:</b>				
Guernsey Industries	\$ 909,234	\$ 415,533	\$ 485,525	\$ 0

**General Receipts**

Property Taxes Levied for:

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

Sales Taxes Levied for:

General Purposes  
Debt Service

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings  
Proceeds of OWDA Loans  
Gas and Oil Lease  
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			Component Unit
Governmental Activities	Business-Type Activities	Total	Guernsey Industries
\$ (2,564,600)	\$ 0	\$ (2,564,600)	\$ 0
(1,650,424)	0	(1,650,424)	0
(2,698,996)	0	(2,698,996)	0
(206,905)	0	(206,905)	0
(4,020,276)	0	(4,020,276)	0
(1,656,077)	0	(1,656,077)	0
(57,385)	0	(57,385)	0
(283,024)	0	(283,024)	0
(472,101)	0	(472,101)	0
(755,406)	0	(755,406)	0
(193,525)	0	(193,525)	0
(14,558,719)	0	(14,558,719)	0
0	(50,112)	(50,112)	0
0	(60,487)	(60,487)	0
0	(110,599)	(110,599)	0
(14,558,719)	(110,599)	(14,669,318)	0
0	0	0	(8,176)
1,554,351	0	1,554,351	0
583,989	0	583,989	0
583,866	0	583,866	0
1,252,023	0	1,252,023	0
2,612,890	0	2,612,890	0
628,323	0	628,323	0
0	12,180	12,180	0
7,447,195	0	7,447,195	0
693,000	0	693,000	0
1,231,742	0	1,231,742	0
236,423	7,087	243,510	497
0	262,521	262,521	0
241,530	0	241,530	0
276,741	24,381	301,122	1,767
17,342,073	306,169	17,648,242	2,264
199,509	(199,509)	0	0
468,130	(468,130)	0	0
18,009,712	(361,470)	17,648,242	2,264
3,450,993	(472,069)	2,978,924	(5,912)
23,398,020	1,466,296	24,864,316	89,274
\$ 26,849,013	\$ 994,227	\$ 27,843,240	\$ 83,362

**Guernsey County, Ohio**  
*Statement of Cash Basis Assets and Fund Balances*  
 Governmental Funds  
 December 31, 2013

	General	Public Assistance	Motor Vehicle and Gasoline Tax	Board of Developmental Disabilities	All Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$ 4,407,223	\$ 615,489	\$ 1,333,769	\$ 10,551,372	\$ 6,197,569	\$ 23,105,422
Cash and Cash Equivalents in Segregated Accounts	7,544	0	0	0	67,231	74,775
Cash and Cash Equivalents with Fiscal Agent	0	0	0	2,374,041	0	2,374,041
<i>Total Assets</i>	<u>\$ 4,414,767</u>	<u>\$ 615,489</u>	<u>\$ 1,333,769</u>	<u>\$ 12,925,413</u>	<u>\$ 6,264,800</u>	<u>\$ 25,554,238</u>
<b>Fund Balances</b>						
Nonspendable	\$ 78,120	\$ 0	\$ 0	\$ 0	\$ 0	\$ 78,120
Restricted	0	615,489	1,333,769	12,925,413	5,352,704	20,227,375
Committed	15,000	0	0	0	24,664	39,664
Assigned	3,192,384	0	0	0	887,432	4,079,816
Unassigned	1,129,263	0	0	0	0	1,129,263
<i>Total Fund Balances</i>	<u>\$ 4,414,767</u>	<u>\$ 615,489</u>	<u>\$ 1,333,769</u>	<u>\$ 12,925,413</u>	<u>\$ 6,264,800</u>	<u>\$ 25,554,238</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, 2013*

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<b>Total Governmental Fund Balances</b>	\$ 25,554,238
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>	
 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.	
	<u>1,294,775</u>
 <i>Net Position of Governmental Activities</i>	 <u><u>\$ 26,849,013</u></u>

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, 2013*

	General	Public Assistance	Motor Vehicle and Gasoline Tax	Board of Developmental Disabilities	All Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Property Taxes	\$ 1,554,351	\$ 0	\$ 0	\$ 2,612,890	\$ 3,048,201	\$ 7,215,442
Sales Tax	7,447,195	0	0	0	693,000	8,140,195
Special Assessments	0	0	0	0	58,661	58,661
Charges for Services	2,919,183	0	146,571	127,583	1,884,819	5,078,156
Licenses and Permits	15,171	0	0	0	116,585	131,756
Fines and Forfeitures	79,450	0	195,215	0	196,880	471,545
Intergovernmental	1,231,741	4,539,736	4,002,438	2,839,820	5,909,485	18,523,220
Interest	236,423	0	245	0	4,855	241,523
Rent	162,500	0	0	0	58,948	221,448
Contributions and Donations	0	0	0	0	6,752	6,752
Gas and Oil Lease	179,035	0	0	0	62,495	241,530
Other	34,047	10,764	50,034	30,634	151,263	276,742
<i>Total Receipts</i>	<u>13,859,096</u>	<u>4,550,500</u>	<u>4,394,503</u>	<u>5,610,927</u>	<u>12,191,944</u>	<u>40,606,970</u>
<b>Disbursements</b>						
Current:						
General Government:						
Legislative and Executive	5,012,630	0	0	0	635,314	5,647,944
Judicial	2,616,749	0	0	0	481,970	3,098,719
Public Safety	2,847,984	0	0	0	1,022,607	3,870,591
Public Works	246,570	0	4,486,476	0	973,821	5,706,867
Health	65,813	0	0	5,093,450	2,739,606	7,898,869
Human Services	387,311	4,607,801	0	0	4,669,523	9,664,635
Economic Development and Assistance	0	0	0	0	515,606	515,606
Other	283,024	0	0	0	0	283,024
Capital Outlay	68,400	0	0	0	456,723	525,123
Debt Service:						
Principal Retirements	0	0	2,663	0	752,743	755,406
Interest and Fiscal Charges	0	0	0	0	193,525	193,525
<i>Total Disbursements</i>	<u>11,528,481</u>	<u>4,607,801</u>	<u>4,489,139</u>	<u>5,093,450</u>	<u>12,441,438</u>	<u>38,160,309</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,330,615</u>	<u>(57,301)</u>	<u>(94,636)</u>	<u>517,477</u>	<u>(249,494)</u>	<u>2,446,661</u>
<b>Other Financing Sources and (Uses)</b>						
Transfers In	13,440	83,659	29,242	0	1,084,486	1,210,827
Transfers Out	(766,383)	0	0	(228,617)	(16,318)	(1,011,318)
Advances In	823,223	0	0	0	32,957	856,180
Advances Out	(355,093)	0	0	0	(32,957)	(388,050)
<i>Total Other Financing Sources and (Uses)</i>	<u>(284,813)</u>	<u>83,659</u>	<u>29,242</u>	<u>(228,617)</u>	<u>1,068,168</u>	<u>667,639</u>
<i>Net Change in Fund Balance</i>	2,045,802	26,358	(65,394)	288,860	818,674	3,114,300
<i>Fund Balance, Beginning of Year</i>	<u>2,368,965</u>	<u>589,131</u>	<u>1,399,163</u>	<u>12,636,553</u>	<u>5,446,126</u>	<u>22,439,938</u>
<i>Fund Balance, End of Year</i>	<u>\$ 4,414,767</u>	<u>\$ 615,489</u>	<u>\$ 1,333,769</u>	<u>\$ 12,925,413</u>	<u>\$ 6,264,800</u>	<u>\$ 25,554,238</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, 2013*

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**Net Change in Fund Balances - Total Governmental Funds** \$ 3,114,300

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

The internal service funds used by management to charge the cost of insurance to individual funds 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.

336,693

*Change in Net Position of Governmental Activities*

\$ 3,450,993

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, 2013*

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Receipts</b>				
Property Taxes	\$ 1,498,760	\$ 1,498,760	\$ 1,569,726	\$ 70,966
Sales Taxes	5,700,000	5,700,000	7,447,195	1,747,195
Charges for Services	2,008,785	2,125,285	2,540,249	414,964
Licenses and Permits	15,300	15,300	15,171	(129)
Fines and Forfeitures	78,000	78,000	79,450	1,450
Intergovernmental	1,205,907	1,205,907	1,231,741	25,834
Interest	240,000	240,000	236,423	(3,577)
Rent	162,500	162,500	162,500	0
Contributions and Donations	7,500	7,500	0	(7,500)
Other	29,800	29,800	179,909	150,109
<i>Total Receipts</i>	<u>10,946,552</u>	<u>11,063,052</u>	<u>13,462,364</u>	<u>2,399,312</u>
<b>Disbursements</b>				
Current:				
General Government:				
Legislative and Executive	5,237,401	5,358,105	5,018,771	339,334
Judicial	2,566,039	2,578,934	2,420,342	158,592
Public Safety	2,781,053	2,941,164	2,906,213	34,951
Public Works	249,509	249,509	246,594	2,915
Health	65,975	65,975	65,813	162
Human Services	379,427	391,295	389,780	1,515
Other	282,463	283,161	283,024	137
Capital Outlay	96,323	129,043	80,570	48,473
<i>Total Disbursements</i>	<u>11,658,190</u>	<u>11,997,186</u>	<u>11,411,107</u>	<u>586,079</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(711,638)</u>	<u>(934,134)</u>	<u>2,051,257</u>	<u>2,985,391</u>
<b>Other Financing Sources and (Uses)</b>				
Transfers In	5,249	5,249	18,660	13,411
Transfers Out	(750,417)	(975,914)	(786,603)	189,311
Advances In	0	0	823,223	823,223
Advances Out	0	0	(355,093)	(355,093)
<i>Total Other Financing Sources and (Uses)</i>	<u>(745,168)</u>	<u>(970,665)</u>	<u>(299,813)</u>	<u>670,852</u>
<i>Net Change in Fund Balance</i>	(1,456,806)	(1,904,799)	1,751,444	3,656,243
<i>Fund Balance, Beginning of Year</i>	1,647,005	1,647,005	1,647,005	0
<i>Prior Year Encumbrances Appropriated</i>	<u>168,249</u>	<u>168,249</u>	<u>168,249</u>	<u>0</u>
<i>Fund Balance, End of Year</i>	<u>\$ 358,448</u>	<u>\$ (89,545)</u>	<u>\$ 3,566,698</u>	<u>\$ 3,656,243</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, 2013*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Receipts</b>				
Intergovernmental	\$ 5,508,800	\$ 4,550,936	\$ 4,539,736	\$ (11,200)
Other	0	0	10,764	10,764
<i>Total Receipts</i>	<u>5,508,800</u>	<u>4,550,936</u>	<u>4,550,500</u>	<u>(436)</u>
<b>Disbursements</b>				
Current:				
Human Services	6,181,155	5,223,292	4,711,191	512,101
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(672,355)</u>	<u>(672,356)</u>	<u>(160,691)</u>	<u>511,665</u>
<b>Other Financing Sources</b>				
Transfers In	100,000	100,000	83,659	(16,341)
<i>Net Change in Fund Balance</i>	(572,355)	(572,356)	(77,032)	495,324
<i>Fund Balance, Beginning of Year</i>	500,214	500,214	500,214	0
<i>Prior Year Encumbrances Appropriated</i>	88,917	88,917	88,917	0
<i>Fund Balance, End of Year</i>	<u>\$ 16,776</u>	<u>\$ 16,775</u>	<u>\$ 512,099</u>	<u>\$ 495,324</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, 2013*

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Receipts</b>				
Charges for Services	\$ 68,000	\$ 68,000	\$ 146,571	\$ 78,571
Fines and Forfeitures	150,000	162,069	195,215	33,146
Intergovernmental	3,912,000	3,912,000	4,002,438	90,438
Interest	250	250	245	(5)
Other	32,000	32,000	50,034	18,034
<i>Total Receipts</i>	<u>4,162,250</u>	<u>4,174,319</u>	<u>4,394,503</u>	<u>220,184</u>
<b>Disbursements</b>				
Current:				
Public Works	4,503,361	4,759,318	4,561,886	197,432
Debt Service:				
Principal Retirements	2,663	2,663	2,663	0
<i>Total Disbursements</i>	<u>4,506,024</u>	<u>4,761,981</u>	<u>4,564,549</u>	<u>197,432</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(343,774)</u>	<u>(587,662)</u>	<u>(170,046)</u>	<u>417,616</u>
<b>Other Financing Sources and (Uses)</b>				
Transfers In	25,081	25,081	29,242	4,161
<i>Net Change in Fund Balance</i>	(318,693)	(562,581)	(140,804)	421,777
<i>Fund Balance, Beginning of Year</i>	1,371,375	1,371,375	1,371,375	0
<i>Prior Year Encumbrances Appropriated</i>	27,788	27,788	27,788	0
<i>Fund Balance, End of Year</i>	<u>\$ 1,080,470</u>	<u>\$ 836,582</u>	<u>\$ 1,258,359</u>	<u>\$ 421,777</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, 2013*

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Receipts</b>				
Property Taxes	\$ 2,264,152	\$ 2,264,152	\$ 2,648,410	\$ 384,258
Charges for Services	72,000	80,000	127,583	47,583
Intergovernmental	2,100,202	2,018,318	2,839,820	821,502
Other	60,500	60,500	30,634	(29,866)
<i>Total Receipts</i>	<u>4,496,854</u>	<u>4,422,970</u>	<u>5,646,447</u>	<u>1,223,477</u>
<b>Disbursements</b>				
Current:				
Health	7,777,240	8,072,380	5,180,797	2,891,583
<i>Total Disbursements</i>	<u>7,777,240</u>	<u>8,072,380</u>	<u>5,180,797</u>	<u>2,891,583</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(3,280,386)</u>	<u>(3,649,410)</u>	<u>465,650</u>	<u>4,115,060</u>
<b>Other Financing Sources and (Uses)</b>				
Transfers Out	0	(426,739)	(228,617)	198,122
<i>Net Change in Fund Balance</i>	(3,280,386)	(4,076,149)	237,033	4,313,182
<i>Fund Balance, Beginning of Year</i>	12,255,790	12,255,790	12,255,790	0
<i>Prior Year Encumbrances Appropriated</i>	157,152	157,152	157,152	0
<i>Fund Balance, End of Year</i>	<u>\$ 9,132,556</u>	<u>\$ 8,336,793</u>	<u>\$ 12,649,975</u>	<u>\$ 4,313,182</u>

See accompanying notes to the basic financial statements.

**Guernsey County, Ohio**  
*Statement of Fund Net Position - Cash Basis*  
*Proprietary Funds*  
*December 31, 2013*

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Water	Nonmajor	Total	
<b>Assets</b>				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$ 468,170	\$ 526,057	\$ 994,227	\$ 1,294,775
	\$ 468,170	\$ 526,057	\$ 994,227	\$ 1,294,775
<b>Net Position</b>				
Unrestricted	\$ 468,170	\$ 526,057	\$ 994,227	\$ 1,294,775
	\$ 468,170	\$ 526,057	\$ 994,227	\$ 1,294,775

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, 2013*

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Water	Nonmajor	Total	
<b>Operating Receipts</b>				
Charges for Services	\$ 2,446,757	\$ 735,679	\$ 3,182,436	\$ 4,707,975
Tap-In Fees	34,363	0	34,363	0
Other	24,077	304	24,381	500
<i>Total Operating Receipts</i>	<u>2,505,197</u>	<u>735,983</u>	<u>3,241,180</u>	<u>4,708,475</u>
<b>Operating Disbursements</b>				
Personal Services	627,144	185,766	812,910	0
Contractual Services	1,398,313	216,692	1,615,005	675,969
Materials and Supplies	175,829	33,745	209,574	0
Claims	0	0	0	3,695,813
Capital Outlay	71,511	952,271	1,023,782	0
Other	18,504	7,390	25,894	0
<i>Total Operating Disbursements</i>	<u>2,291,301</u>	<u>1,395,864</u>	<u>3,687,165</u>	<u>4,371,782</u>
<i>Operating Income (Loss)</i>	<u>213,896</u>	<u>(659,881)</u>	<u>(445,985)</u>	<u>336,693</u>
<b>Non-Operating Receipts (Disbursements)</b>				
Proceeds of OWDA Loans	0	262,521	262,521	0
Interest	5	7,082	7,087	0
Capital Grants and Contributions	0	886,364	886,364	0
Property Taxes	12,180	0	12,180	0
Principal Retirement	(102,925)	(123,336)	(226,261)	0
Interest and Fiscal Charges	(147,381)	(152,955)	(300,336)	0
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(238,121)</u>	<u>879,676</u>	<u>641,555</u>	<u>0</u>
<i>Income (Loss) Before Advances and Transfers</i>	<u>(24,225)</u>	<u>219,795</u>	<u>195,570</u>	<u>336,693</u>
Advances In	200,000	153,408	353,408	0
Advances Out	0	(821,538)	(821,538)	0
Transfers In	0	30,252	30,252	0
Transfers Out	(229,761)	0	(229,761)	0
<i>Total Advances and Transfers</i>	<u>(29,761)</u>	<u>(637,878)</u>	<u>(667,639)</u>	<u>0</u>
<i>Change in Net Position</i>	<u>(53,986)</u>	<u>(418,083)</u>	<u>(472,069)</u>	<u>336,693</u>
<i>Net Position, Beginning of Year</i>	<u>522,156</u>	<u>944,140</u>	<u>1,466,296</u>	<u>958,082</u>
<i>Net Position, End of Year</i>	<u>\$ 468,170</u>	<u>\$ 526,057</u>	<u>\$ 994,227</u>	<u>\$ 1,294,775</u>

See accompanying notes to the basic financial statements.

**Guernsey County, Ohio**  
*Statement of Fiduciary Net Position - Cash Basis*  
*Fiduciary Funds*  
*December 31, 2013*

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 0	\$ 2,814,442
Cash and Cash Equivalents in Segregated Accounts	83,352	525,148
<i>Total Assets</i>	<u>\$ 83,352</u>	<u>\$ 3,339,590</u>
<b>Net Position</b>		
Held in Trust for Children Services	\$ 83,352	\$ 0
Unrestricted	0	3,339,590
<i>Total Net Position</i>	<u>\$ 83,352</u>	<u>\$ 3,339,590</u>

See accompanying notes to the basic financial statements.

**Guernsey County, Ohio**  
*Statement of Changes in Fiduciary Net Position - Cash Basis*  
*Fiduciary Funds*  
*For the Year Ended December 31, 2013*

	Private Purpose Trust
<b>Additions</b>	
Gifts and Contributions	\$ 606
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	10,764
<i>Change in Net Position</i>	(10,158)
<i>Net Position, Beginning of Year</i>	93,510
<i>Net Position, End of year</i>	\$ 83,352

See accompanying notes to the basic financial statements.

**Guernsey County, Ohio**  
*Notes to the Cash Financial Statements*  
*For the Year Ended December 31, 2013*

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**Note 1 – Reporting Entity**

Guernsey County (the “County”) is a body politic and corporate established in 1810 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The County is comprised of nineteen townships, one city, and ten villages. The County is governed by a board of three commissioners elected by the voters of the County. Other officials elected by the voters of the County who manage various segments of the County’s operations are the County Auditor, County Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, County Municipal Court Judge, Common Pleas Judge (also serves as the Domestic Relations Judge) and Probate Court Judge (also serves as the Juvenile Court Judge). Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as serve as the budget and taxing authority, contracting body, and the chief administrators of public services for the entire County.

The County utilizes the standards of Government Accounting Standards Board (GASB) Statement 14 for determining the reporting entity, as well as Government Accounting Standards Board Statement 39, Determining Whether Certain Organizations are Component Units, an amendment of GASB Statement 14 and Government Accounting Standards Board 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.

The component unit column in the combined financial statements identifies the financial data of the County's component unit, Guernsey Industries, Inc. The component unit is discretely reported to emphasize that it is legally separate from the County. See Note 19 for note disclosures related to Guernsey Industries, Inc.



**Guernsey County, Ohio**  
*Notes to the Cash Financial Statements*  
*For the Year Ended December 31, 2013*

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**Guernsey Industries** is a legally, separate, not-for-profit corporation, served by a self-appointing board of trustees. The workshop, under a contractual agreement with the Guernsey County Board of Developmental Disabilities, provides sheltered employment for mentally retarded or handicapped adults in Guernsey County. The Guernsey County Board of DD provides the workshop with staff salaries, transportation, equipment (except that used directly in the production of goods or rendering services), staff to administer and supervise training programs, and other funds as necessary for the operation of the workshop. Based on the significant services and resources provided by the County to the workshop and the workshop's sole purpose of providing assistance to the developmentally disabled adults of Guernsey County, the workshop is presented as a component unit of Guernsey County. Separately issued financial statements can be obtained from Guernsey Industries, Byesville, Ohio.

The 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:

**Guernsey County, Ohio**  
*Notes to the Cash Financial Statements*  
*For the Year Ended December 31, 2013*

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

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

**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.

**Guernsey County, Ohio**  
*Notes to the Cash Financial Statements*  
*For the Year Ended December 31, 2013*

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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.

***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.

**Guernsey County, Ohio**  
*Notes to the Cash Financial Statements*  
*For the Year Ended December 31, 2013*

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***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.

***Proprietary Funds***

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

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

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

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

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

***Fiduciary Funds***

Fiduciary fund reporting focuses on net 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.

**Guernsey County, Ohio**  
*Notes to the Cash Financial Statements*  
*For the Year Ended December 31, 2013*

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***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.

***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."

**Guernsey County, Ohio**  
*Notes to the Cash Financial Statements*  
*For the Year Ended December 31, 2013*

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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.

During 2013, the County invested in STAROhio, federal agency securities, County bonds, negotiable certificates of deposit and a money market account. Investments are reported at cost, except for STAROhio. STAROhio is an investment pool, managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio’s share price, which is the price the investment could be sold for on December 31, 2013.

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 2013 were \$236,423, which includes \$198,976 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.

**Guernsey County, Ohio**  
*Notes to the Cash Financial Statements*  
*For the Year Ended December 31, 2013*

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***J. Employer Contributions to Cost-Sharing Plans***

The County recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

***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.

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

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

The government-wide statement of net position reports \$21,216,749 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:

**Guernsey County, Ohio**  
*Notes to the Cash Financial Statements*  
*For the Year Ended December 31, 2013*

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***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.

***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. Changes in Accounting Principles***

For the year ended December 31, 2013, the County has implemented Governmental Accounting Standards Board (GASB) Statement No. 61, “*The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34,*” GASB Statement No. 65, “*Items Previously Reported as Assets and Liabilities,*” and GASB Statement No. 66, “*Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62.*”

GASB Statement No. 61 improves guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the County.



**Guernsey County, Ohio**  
*Notes to the Cash Financial Statements*  
*For the Year Ended December 31, 2013*

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). The implementation of GASB Statement No. 65 did not have an effect on the financial statements of the County.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the County.

**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 Basis) for the General Fund and each major special revenue fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budgetary basis and the cash basis are as follows:

1. Outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as 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:

	<u>General</u>	<u>Public Assistance</u>	<u>Motor Vehicle &amp; Gasoline Tax</u>	<u>Board of Developmental Disabilities</u>
Cash Basis	\$ 2,045,802	\$ 26,358	\$ (65,394)	\$ 288,860
Beginning of Year:				
Agency Fund Cash Allocation	96,787	0	0	223,611
End of Year:				
Agency Fund Cash Allocation	(81,413)	0	0	(188,091)
Funds Budgeted Elsewhere*	(187,982)	0	0	0
Encumbrances	(121,750)	(103,390)	(75,410)	(87,347)
Budget Basis	<u>\$ 1,751,444</u>	<u>\$ (77,032)</u>	<u>\$ (140,804)</u>	<u>\$ 237,033</u>

\* 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.

**Guernsey County, Ohio**  
*Notes to the Cash Financial Statements*  
*For the Year Ended December 31, 2013*

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

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- b. Banker's acceptances eligible for purchase by the Federal Reserve System and which mature within 180 days after purchase.
- 10. Up to fifteen percent of the County's average portfolio in notes issued by U.S. corporations or by depository institutions that are doing business under authority granted by the U.S. provided that the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;
- 11. No-load money market mutual fund rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency of instrumentality, and/or highly rated commercial paper; and,
- 12. Up to one percent of the County's average portfolio in debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government. All interest and principal shall be denominated and payable in the United States.

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

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

At year end, the County had \$429,352 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, \$6,127,997 of the County's bank balance of \$7,284,754 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.

**Guernsey County, Ohio**  
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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, 2013, the County's Board of Development Disabilities special revenue fund had a cash balance of \$2,374,041 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.

**Investments**

At December 31, 2013, the County had the following investments. All investments are in an internal investment pool.

	Fair Value	Maturity	Percent of Total Investment	Rating	Rating Agency
Guernsey County General					
Obligation Bonds	\$ 183,909	12/1/2020 - 11/1/2027	0.8%	N/A	N/A
STAROhio	62,882	53 days	0.3%	AAAm	S&P
JPMorgan Prime Money					
Market, Fair Value	1,269,581	48 days	5.8%	AAAm	S&P
Negotiable CD's	1,139,516	3/19/14 - 10/24/16	5.2%	N/A	N/A
Federal Home Loan Mortgage Notes	4,006,390	12/29/16 - 7/17/18	18.3%	Aaa	Moody's
Federal Home Loan Bank Bonds	7,834,735	12/28/16 - 5/23/22	35.7%	Aaa	Moody's
Federal Farm Credit Bank Bonds	7,344,585	4/17/14 - 6/25/18	33.5%	Aaa	Moody's
Federal National Mortgage Association Notes	79,786	5/15/14 - 12/16/14	0.4%	Aaa	Moody's
Total Investments	<u>\$ 21,921,384</u>		<u>100%</u>		

**Interest Rate Risk** Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The County has no investment policy that addresses interest rate risk beyond the requirements of State statute. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the County, and that an investment must be purchased with the expectation that it will be held to maturity. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

**Credit Risk** The County has no investment policy that addresses credit risk beyond the requirements of State statute. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAROhio as of December 31, 2013, is 53 days.

**Guernsey County, Ohio**  
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**Custodial Credit Risk** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal Farm Credit Bank Bonds, Federal Home Loan Mortgage Notes, Federal Home Loan Bank Bonds and Federal National Mortgage Association Notes are exposed to custodial credit risk in that they are uninsured, unregistered and held by counterparty's trust department or agent but not in the County's name. The County has no investment policy dealing with investment custodial credit risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

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

**Note 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 and Bond Retirement Debt Service Fund.

Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies, to the Office of Budget and Management, the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The Office of Budget and Management then has five days in which to draw the warrant payable to the County.

**Note 6 – Property Taxes**

Property taxes include amounts levied against all real and public utility property located in the County. Property tax revenue received during 2013 for real and public utility property taxes represents collections of the 2012 taxes.

2013 real property taxes were levied after October 1, 2013 on the assessed value as of January 1, 2013, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2013 real property taxes are collected in and intended to finance 2014.

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. 2013 public utility property taxes which became a lien December 31, 2012, are levied after October 1, 2013, and are collected in 2014 with real property taxes.

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

The full tax rate for all County operations for the year ended December 31, 2013, was \$15.10 per \$1,000 of assessed value. The assessed values of real property upon which 2013 property tax receipts were based are as follows:

Real Property	\$ 563,920,390
Public Utility Real Property	261,250
Public Utility Personal Property	<u>121,482,960</u>
Total Assessed Value	<u>\$ 685,664,600</u>

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

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

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

**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 \$77,411,386, 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.

**Guernsey County, Ohio**  
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Contractor's equipment, miscellaneous inland marine, and auto physical damage are insured for their actual cash value under CORSA.

The amounts of settlements have not exceeded commercial coverage in any of the past four years. Also, the limits have not been lowered significantly in the past year.

With the exception of workers' compensation, health, dental, vision, and life insurances, all other insurance is held with CORSA. The County pays all elected officials bonds by statute. The County contracts with HealthSCOPE (formerly Central Benefits) to provide employees with medical, dental, and prescription insurance through a self-insurance program. The County maintains a self-insurance internal service fund to account for and finance its uninsured risks of loss on this program.

During 2011, the County began participating in the Ohio Bureau of Workers' Compensation (Bureau) Retrospective Rating Plan, (the Plan). The alternative rating program requires the County to pay only administrative charges to the Bureau, and in turn the County assumes the responsibility of paying all claims incurred during the policy period for up to ten years. After the tenth year, the Bureau will assume any existing claim for its duration. The County will be charged an actuarial amount for the claims transferred to the Bureau. The County's stop-loss coverage through the plan is limited to \$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**

***A. Ohio Public Employees Retirement System***

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling 614-222-6705 or 800-222-7377.

*Funding Policy* – The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

**Guernsey County, Ohio**  
*Notes to the Cash Financial Statements*  
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For the year ended December 31, 2013, members in state and local classifications contributed 10.0 percent of covered payroll while public safety and law enforcement members contributed 12.0 percent and 12.6 percent, respectively.

The County's 2013 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the County's contribution was 18.1 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 1.0 percent during calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 1.0 percent during calendar year 2013.

The County's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2013, 2012, and 2011 were \$1,858,102, \$1,377,513 and \$1,396,830, respectively. The full amount has been contributed for 2013, 2012 and 2011. Contributions to the member-directed plan for 2013 were \$16,249 made by the County and \$11,606 made by plan members.

***B. State Teachers Retirement System***

*Plan Description* – Certified teachers, employed by the school for Department of Developmental Disabilities, participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling 888-227-7877, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

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

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



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*Funding Policy* – For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contribution for pension obligations for the STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011 were \$4,999, \$4,196 and \$9,705, respectively. The full amount has been contributed for fiscal year 2013, 2012 and 2011. For fiscal year 2013, the County did not have any employees participating in either the DC or Combined Plans.

**Note 9 – Postemployment Benefits**

**A. Ohio Public Employees Retirement System**

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

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

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

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

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

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

**Guernsey County, Ohio**  
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Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 1.0 percent during calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 1.0 percent during calendar year 2013.

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

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011 were \$142,931, \$551,005 and \$558,732, respectively; the full amounts have been contributed for 2013, 2012 and 2011.

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

***B. State Teachers Retirement System***

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

*Funding Policy* – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The County's contributions for health care benefits for the years ended December 31, 2013, 2012 and 2011 were \$388, \$323 and \$747 respectively; 100 percent has been contributed for 2013, 2012 and 2011.

**Guernsey County, Ohio**  
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**Note 10 - Debt**

The County's debt activity for the year ended December 31, 2013 was as follows:

	Outstanding 1/1/2013	Additions	Reductions	Outstanding 12/31/2013	Amounts Due Within One Year
<b>Governmental Activities:</b>					
<i>Special Assessment Bonds:</i>					
Stop Nine Sanitary Sewer-1993, \$559,200, 5%	\$ 44,500	\$ 0	\$ (1,200)	\$ 43,300	\$ 1,400
Sundew and Zane Waterline-1996, \$84,000, 4.95%	28,118	0	(5,540)	22,578	5,814
Cedar Hills Sewer-1996, \$171,785, 4.95%	38,525	0	(12,275)	26,250	12,882
Eastmoor Sanitary Sewer-1998, \$186,000, 4.5%	73,900	0	(11,000)	62,900	11,500
Wolf's Den Road Waterline-2000, \$63,880, 6%	25,552	0	(3,194)	22,358	3,194
State Route 313 Sewer-2006, \$200,000, 4.20-5.25%	165,000	0	(10,000)	155,000	10,000
<i>Total Special Assessment Bonds</i>	<u>375,595</u>	<u>0</u>	<u>(43,209)</u>	<u>332,386</u>	<u>44,790</u>
<i>General Obligation Bonds:</i>					
<i>Various Purpose Refunding and Improvement</i>					
Serial Bonds-2003, 2.00-5.00%, \$7,260,000	320,000	0	(320,000)	0	0
<i>Various Purpose Refunding and Improvement</i>					
Serial Bonds-2012, 2.20%, \$5,670,000	5,625,000	0	(70,000)	5,555,000	405,000
Public Improvement-1996, \$124,959, 4.95%	43,355	0	(12,185)	31,170	11,303
<i>Ohio State University Extension Building</i>					
Series 2007, \$200,000, 5.75%	168,900	0	(7,349)	161,551	7,778
Energy Conservation Bonds-2010, \$750,000, 3.06%	450,000	0	(150,000)	300,000	150,000
Courthouse Renovation Bonds-2011, \$750,000, 2.94%	525,000	0	(150,000)	375,000	150,000
<i>Total General Obligation Bonds</i>	<u>7,132,255</u>	<u>0</u>	<u>(709,534)</u>	<u>6,422,721</u>	<u>724,081</u>
<i>OPWC Loan:</i>					
OPWC Loan-2007, \$53,257, 0%	41,275	0	(2,663)	38,612	2,663
<b>Total Governmental Activities</b>	<u>\$ 7,549,125</u>	<u>\$ 0</u>	<u>\$ (755,406)</u>	<u>\$ 6,793,719</u>	<u>\$ 771,534</u>

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	Outstanding 1/1/2013	Additions	Reductions	Outstanding 12/31/2013	Amounts Due Within One Year
<b>Business-Type Activities:</b>					
<i>General Obligation Bonds:</i>					
Kimbolton Waterline - 1992, \$142,000, 5.75%	\$ 85,800	\$ 0	\$ (3,000)	\$ 82,800	\$ 3,200
North Salem Waterline - 1994, \$450,000, 5%	305,600	0	(10,100)	295,500	10,700
Route 40 East Waterline - 2008, \$2,839,000, 4.42%	<u>2,540,281</u>	<u>0</u>	<u>(70,225)</u>	<u>2,470,056</u>	<u>73,364</u>
<i>Total General Obligation Bonds</i>	<u>2,931,681</u>	<u>0</u>	<u>(83,325)</u>	<u>2,848,356</u>	<u>87,264</u>
<i>OWDA Loans:</i>					
Water Fund OWDA - 2006, \$288,657, 2%	213,772	0	(13,374)	200,398	13,642
Water Fund OWDA - 2009, \$69,134, 2%	52,335	0	(2,613)	49,722	2,666
Water Fund OWDA - 2010, \$112,010, 3.27%	86,910	0	(3,613)	83,297	3,733
Sewer Fund OWDA - 2013, \$92,876	0	92,876	(92,876)	0	0
Sewer Fund OWDA - 2011, \$1,363,953, 1%	<u>1,165,826</u>	<u>169,645</u>	<u>(30,460)</u>	<u>1,305,011</u>	<u>39,787</u>
<i>Total OWDA Loans</i>	<u>1,518,843</u>	<u>262,521</u>	<u>(142,936)</u>	<u>1,638,428</u>	<u>59,828</u>
USDA Loan - 2011, \$3,641,000, 3.75%	<u>3,641,000</u>	<u>0</u>	<u>0</u>	<u>3,641,000</u>	<u>45,000</u>
<b>Total Business-Type Activities</b>	<u>\$ 8,091,524</u>	<u>\$ 262,521</u>	<u>\$ (226,261)</u>	<u>\$ 8,127,784</u>	<u>\$ 192,092</u>

**Special Assessment Bonds** – As of December 31, 2013, the County has \$332,386 in special assessment bonded debt outstanding. The debt is being repaid from the Special Assessment Bond Retirement Debt Service Fund with proceeds of special assessments levied against benefited property owners. In the event the property owners do not pay their assessments, the County would be responsible for the debt service payment. Principal and interest requirements to retire the special assessment bonds outstanding at December 31, 2013 are as follows:

Year Ending December 31,	Principal	Interest	Total
2014	\$ 44,790	\$ 16,341	\$ 61,131
2015	45,964	14,174	60,138
2016	33,699	11,928	45,627
2017	32,051	10,296	42,347
2018	28,494	8,908	37,402
2019-2023	75,588	30,649	106,237
2024-2028	56,800	10,296	67,096
2029-2033	<u>15,000</u>	<u>2,330</u>	<u>17,330</u>
	<u>\$ 332,386</u>	<u>\$ 104,922</u>	<u>\$ 437,308</u>

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**Governmental Activities:**

**General Obligation Bonds** – As of December 31, 2013, the County has \$6,422,721 in general obligation bonded debt outstanding that is being retired by the Bond Retirement Debt Service 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%. 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, 2013 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.

Principal and interest requirements to retire the general obligation bonds outstanding at December 31, 2013 are as follows:

Year Ending December 31,	Principal	Interest	Total
2014	\$ 724,081	\$ 151,091	\$ 875,172
2015	723,609	132,166	855,775
2016	518,202	114,410	632,612
2017	444,220	102,777	546,997
2018	449,758	92,669	542,427
2019-2023	2,423,019	303,965	2,726,984
2024-2028	1,139,832	80,156	1,219,988
	\$ 6,422,721	\$ 977,234	\$ 7,399,955

**OPWC Loan** – As of December 31, 2013, the County has a \$38,612 Ohio Public Works Commission loan outstanding. This loan was entered into for various road paving projects within the County and will be repaid from the Bond Retirement Debt Service Fund. This loan is interest free. Principal requirements to retire the OPWC loans outstanding at December 31, 2013 are as follows:

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Year Ending December 31,	Principal
2014	\$ 2,663
2015	2,663
2016	2,663
2017	2,663
2018	2,663
2019-2023	13,314
2024-2028	11,983
	\$ 38,612

***Business-Type Activities:***

***General Obligation Bonds*** – As of December 31, 2013, the County has \$2,848,356 in general obligation bonded debt outstanding. The bonds were issued to construct lines and a building associated with the County water system. These bonds will be repaid from revenues derived by the County from the operation of the water system.

Principal requirements to retire the general obligation bonds outstanding at December 31, 2013 are as follows:

Year Ending December 31,	Principal	Interest	Total
2014	\$ 87,264	\$ 133,172	\$ 220,436
2015	91,143	128,174	219,317
2016	95,368	124,999	220,367
2017	99,647	120,628	220,275
2018	104,385	116,063	220,448
2019-2023	597,620	504,022	1,101,642
2024-2028	747,881	353,778	1,101,659
2029-2033	849,150	162,788	1,011,938
2034	175,898	8,394	184,292
	\$ 2,848,356	\$ 1,652,018	\$ 4,500,374

**Guernsey County, Ohio**  
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**Ohio Water Development Authority (OWDA) Loans** - The County has pledged future customer revenues, net of specified operating expenses, to repay \$1,638,428 in OWDA loans issued from 2006 to 2013. Proceeds from these loans provided financing for various water and sewer projects. The loans are payable solely from customer net revenues and are payable through 2030. Net revenues include all revenues received by the water utility less all operating expenses other than depreciation expense. Annual principal and interest payments, as a percentage of net customer revenues, on the loans are expected to be similar over the term of the loans as in the current year, which were 23.18 percent. The total principal and interest remaining to be paid on the loans is \$1,899,196. Principal and interest paid for the current year and total net revenues were \$167,409 and \$722,167, respectively.

In 2013, the County entered into an OWDA loan in the amount of \$92,876 for the household sewage treatment system project. In 2013, the County received a grant from the Ohio Environmental Protection Agency in the amount of \$92,876 to pay off the OWDA loan.

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.

Principal and interest requirements to retire the Enterprise Funds OWDA loans outstanding at December 31, 2013 are as follows:

Year Ending December 31,	Principal	Interest	Total
2014	\$ 59,828	\$ 20,566	\$ 80,394
2015	60,677	19,717	80,394
2016	61,542	18,851	80,393
2017	62,422	17,971	80,393
2018	63,316	17,077	80,393
2019-2023	330,555	71,412	401,967
2024-2028	319,706	47,095	366,801
2029-2033	251,660	28,530	280,190
2034-2038	247,778	15,912	263,690
2039-2043	180,944	3,637	184,581
	<u>\$ 1,638,428</u>	<u>\$ 260,768</u>	<u>\$ 1,899,196</u>

**Guernsey County, Ohio**  
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**USDA Loan** – During 2011, the County entered into a loan agreement with the United States Department of Agriculture (USDA) for the Buffalo/Derwent sewer construction project. The award amount of the loan is \$3,641,000 and was issued with an interest rate of 3.75 percent. The loan will be repaid over a forty year period.

Principal requirements to retire the general obligation bonds outstanding at December 31, 2013 are as follows:

Year Ending December 31,	Principal	Interest	Total
2014	\$ 45,000	\$ 136,538	\$ 181,538
2015	47,000	134,850	181,850
2016	48,000	133,452	181,452
2017	50,000	131,288	181,288
2018	52,000	129,413	181,413
2019-2023	290,000	616,657	906,657
2024-2028	348,000	558,461	906,461
2029-2033	420,000	487,572	907,572
2034-2038	504,000	402,669	906,669
2039-2043	605,000	300,964	905,964
2044-2048	727,000	178,656	905,656
2049-2051	505,000	38,363	543,363
	\$ 3,641,000	\$ 3,248,883	\$ 6,889,883

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

**Note 11 – Commitments**

**A. Contractual Commitment**

At December 31, 2013, the County had contractual commitments for the following project:

	Contractual Commitment	Expended	Balance 12/31/2013
Waste Water Treatment Plant	\$ 241,102	\$ 83,433	\$ 157,669



**Guernsey County, Ohio**  
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**B. Other Commitments**

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

Fund	Amount
General	\$ 129,702
Public Assistance	103,390
Motor Vehicle and Gasoline Tax	75,410
Board of Developmental Disabilities	87,347
Other Governmental Funds	270,968
Totals	\$ 666,817

**Note 12 – Interfund Activity**

**A. Interfund Transfers**

During 2013 the following transfers were made:

Transfer To	Transfer From				Total
	General	Board of Development Disabilities	Other Governmental	Water	
General	\$ 0	\$ 0	\$ 13,440	\$ 0	\$ 13,440
Public Assistance	83,659	0	0	0	83,659
Motor Vehicle & Gas Tax	29,242	0	0	0	29,242
Other Governmental	623,230	228,617	2,878	229,761	1,084,486
Non-Major Enterprise	30,252	0	0	0	30,252
<i>Total</i>	\$ 766,383	\$ 228,617	\$ 16,318	\$ 229,761	\$ 1,241,079

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

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The General Fund and Water Fund transferred \$32,165 and \$229,761, respectively, to the Bond Retirement Fund for debt payments. The Court Fund transferred \$13,440 to the General Fund to cover probation department per court order dated August 11, 2010. The Board of Development Disabilities Fund and the Emergency Management Fund transferred \$228,617 and \$2,878 to the County Facilities Construction and Improvements Fund. All other transfers were made from the General Fund to various other funds to provide additional resources for current operations.

**B. Interfund Advances**

During 2013 the following advances were made:

Advances To	Advances From			Total
	General	Other Governmental	Nonmajor Enterprise	
General	\$ 0	\$ 1,685	\$ 821,538	\$ 823,223
Other Governmental	1,685	31,272	0	32,957
Non-Major Enterprise	200,000	0	0	200,000
Water	153,408	0	0	153,408
<i>Total</i>	<u>\$ 355,093</u>	<u>\$ 32,957</u>	<u>\$ 821,538</u>	<u>\$ 1,209,588</u>

During the year, the General Fund advanced \$1,685 to the Bond Retirement and it was repaid in 2013. The General fund advanced the Water Fund \$200,000. This advance was not repaid by year end. The General Fund also advanced \$153,408 to the Sewer Fund, with \$146,538 being repaid by year end. The Emergency Management Fund advanced \$29,052 to the Homeland Security Fund with \$90 repaid during 2013.

Additionally, the Homeland Security Fund repaid a prior year advance of \$2,130 to the Emergency Management Fund. The Sewer Fund also repaid a prior year advance of \$675,000 to the General Fund.

All advances were to cover costs in the funds where receipts were not received by December 31. These advances will be repaid once the anticipated receipts are received. All advances are expected to be repaid within one year.

**Note 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.

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**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	\$ 78,120	\$ 0	\$ 0	\$ 0	\$ 0	\$ 78,120
Restricted for:						
Debt Service	0	0	0	0	245,054	245,054
Capital Outlay	0	0	0	0	169,468	169,468
Public Safety	0	0	0	0	0	0
Public Works	0	0	1,333,769	0	0	1,333,769
Human Services	0	615,489	0	0	0	615,489
Children Services	0	0	0	0	2,447,307	2,447,307
Health Services	0	0	0	12,925,413	0	12,925,413
Other Purposes	0	0	0	0	2,490,875	2,490,875
<b>Total Restricted</b>	<b>0</b>	<b>615,489</b>	<b>1,333,769</b>	<b>12,925,413</b>	<b>5,352,704</b>	<b>20,227,375</b>
Committed for:						
Capital Outlay	0	0	0	0	23,238	23,238
Other Purposes	15,000	0	0	0	1,426	16,426
<b>Total Committed</b>	<b>15,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>24,664</b>	<b>39,664</b>
Assigned for:						
Subsequent Year						
Appropriations	3,062,682	0	0	0	0	3,062,682
Encumbrances:						
Legislative and Executive	41,185	0	0	0	0	41,185
Judicial	15,624	0	0	0	0	15,624
Public Safety	58,399	0	0	0	0	58,399
Public Works	24	0	0	0	0	24
Human Services	2,470	0	0	0	0	2,470
Capital Outlay	12,000	0	0	0	0	12,000
Capital Outlay	0	0	0	0	859,641	859,641
Other Purposes	0	0	0	0	27,791	27,791
<b>Total Assigned</b>	<b>3,192,384</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>887,432</b>	<b>4,079,816</b>
Unassigned	1,129,263	0	0	0	0	1,129,263
<b>Total Fund Balance</b>	<b>\$ 4,414,767</b>	<b>\$ 615,489</b>	<b>\$ 1,333,769</b>	<b>\$ 12,925,413</b>	<b>\$ 6,264,800</b>	<b>\$ 25,554,238</b>

**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 2013. 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 2013, the County made no contributions to the Guernsey-Monroe-Noble Community Action Corporation.

***C. Southeast Ohio Juvenile Rehabilitation District (SEOJRD)***

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

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A Board of Trustees has been created whose members are appointed by the juvenile judges of which Belmont County has three appointees, and Jefferson, Guernsey, Harrison, Monroe, and Noble Counties each have one appointee. The facility is located on property now owned by Belmont County. Policies, procedures and the operating budget are approved by the Judicial Rehabilitation Board. The Board is not dependent upon Guernsey County for its continued existence, no debt exists, and the County does not have an equity interest in or a financial responsibility for the Board. During 2013, 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 2013, the County made a \$37,076 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 2013, Guernsey County did not contribute any revenue through a levy. The revenues are provided by levies from other member counties, and state and federal grants awarded to the multi-county board. Continued existence of the Board is not dependent on County's continued participation. The County has no equity interest in, or financial responsibility for the Board. The Board has no outstanding debt.

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***F. South Eastern Narcotics Team (SENT)***

SENT is a multi-jurisdictional drug task force with the primary goal of combating major narcotic traffickers in Monroe, Belmont, Carroll, Guernsey, Harrison, and Tuscarawas Counties. It is jointly governed among the participating counties and cities. A grant is received from the State of Ohio of which the participating entities must match twenty-five percent. SENT is comprised by thirty-two members. Each member's control over the operation of SENT is limited to its representation of the Board. During 2013, 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 2013, Guernsey County made \$256,257 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 2013, OMEGA received \$7,739 from Guernsey County.

***I. Cambridge-Guernsey County Visitors and Convention Bureau (Bureau)***

The Bureau is organized under State Statute by agreement between the Guernsey County Commissioners, the Cambridge Area Chamber of Commerce, and the Cambridge-Guernsey Community Improvement Corporation who acts as the fiscal agent for the Bureau. The Bureau operates the Guernsey County Tourist Information Center. The Bureau is governed by a seven member Board of Directors. The Board is comprised of one member of the Guernsey County Board of Commissioners, one member appointed by the Guernsey County Board of Commissioners, the president of the Guernsey Innkeeper's Association, one member appointed by the Guernsey County Innkeeper's Association, the president of the Chamber of Commerce, one member appointed by the Chamber of Commerce, and the executive vice president of the Chamber of Commerce. The Board exercises total control, including budgeting, appropriating, contracting, and designating management. The County collects and distributes a three percent hotel/motel lodging tax to the Bureau. The County has no equity interest in, or financial responsibility for the Bureau.

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The Bureau has no outstanding debt. During 2013, 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 2013, the County made \$598 in payments to the Area Office on Aging.

***K. Eastern Ohio Correctional Center (EOCC)***

The Eastern Ohio Correctional Center (EOCC) is a six county facility created pursuant to the Ohio Revised Code Section 2301.51. EOCC serves Belmont, Carroll, Columbiana, Guernsey, Harrison, and Jefferson Counties. The EOCC was formed in 1987 to offer drug treatment, education, work release, community services, and other rehabilitation services to convicted felons within the six counties. The EOCC is governed by a ten member board comprised of two common pleas court judges from Belmont, Carroll, Columbiana, and Jefferson Counties and one common pleas court judge from Guernsey and Harrison Counties. The common pleas judges appoint a citizens advisory board to assist in the operations of the EOCC. The board has total control over budgeting, personnel, and financial matters. The EOCC receives funding in the form of state grant monies which are used to provide the various services of the EOCC. Jefferson County serves as fiscal agent for EOCC. During 2013, 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 2013, SEAT received \$419,817 from Guernsey County along with an in kind donation of \$6,000. The continued existence of the Authority is not dependent on the County's continued participation and the County has no equity interest in or financial responsibility for the Authority. At December 31, 2013, SEAT owed \$180,000 on a line of credit.

**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 2013, 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 2013, 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 2013, the County made a contribution of \$25,000 to the Park District.

***D. Guernsey County Airport Authority***

The Guernsey Airport Authority (Authority) is governed by a five-member Board. The original Board was appointed by the Guernsey County Commissioners, and the Commissioners approve members to fill vacancies upon recommendation of the current Authority Board. The Authority derives its revenues from hangar rental, state and federal grants received directly by the Authority, and interest. The County is not financially accountable for the Authority; the County cannot impose its will on the Authority; and no financial benefit/burden relationship exists between the County and the Authority. During 2013, the County contributed \$91,921 to the Airport 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, 2013*

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**Note 19 – Guernsey Industries**

***A. Summary of Significant Accounting Policies***

*Nature of Operations*

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

*Basis of Accounting*

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

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

*Cash and Cash Equivalents*

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively. During 2013, the Organization invested in non-negotiable certificates of deposit. The Organization considers all certificates of deposit to be cash equivalents.

*Contributions*

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

*Inventory and Prepaid Items*

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

*Property and Equipment*

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

**Guernsey County, Ohio**  
*Notes to the Cash Financial Statements*  
*For the Year Ended December 31, 2013*

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*Income Taxes*

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

The Organization's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2010, 2011, and 2012 are subject to examination by the IRS, generally for three years after they were filed.

*Advertising*

The Organization expenses advertising costs as they are incurred. The Organization paid \$374 for advertising costs for the year ended December 31, 2013.

*In-Kind Contributions*

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

**B. Cash**

The Organization considers all certificate of deposit investments to be cash equivalents. No cash payments for income taxes or interest expense were made during the year. All deposits are covered by FDIC insurance.

**C. In-Kind Contributions**

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

Adult program direct services wages and fringe benefits	\$ 300,681
Adult program capital costs	36,789
Adult program administrative costs	81,793
Adult program building service costs	<u>65,624</u>
 Total In-Kind Contributions	 <u>\$ 484,887</u>

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

During the year, Guernsey Industries, Inc. received \$209,910 from the County Board for custodial services performed and leased employee payments. During the year, Guernsey Industries, Inc. paid \$8,908 to the County Board for its portion of the shared expenses.

**D. Evaluation of Subsequent Events**

The Organization has evaluated subsequent events through September 10, 2014, the date which the financial statements were available to be issued.

**Guernsey County, Ohio**  
*Notes to the Cash Financial Statements*  
*For the Year Ended December 31, 2013*

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**Note 20 – 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 FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
National School Lunch Program			
Non-Cash Assistance (Food Distribution)	N/A	10.555	\$ 284
Cash Assistance	071118-LLPA-4	10.555	<u>3,542</u>
Total National School Lunch Program			<u>3,826</u>
Total Child Nutrition Cluster			3,826
<i>Passed Through Ohio Department of Jobs and Family Services</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	G-1213-11-0044/G-1415-11-5363	10.561	351,334
<i>Direct Program</i>			
Water and Waste Disposal Systems for Rural Communities	N/A	10.760	<u>564,032</u>
Total U.S. Department of Agriculture			919,192
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<i>Passed Through Ohio Development Services Agency</i>			
Community Development Block Grants/Entitlement Grants	B-Z-08-1BL-1	14.218	26,471
Community Development Block Grants-State's Program	B-C-11-1BB-1 B-F-12-1BB-1 B-W-08-1BB-1	14.228	10,811 123,700 99,449
Total Community Development Block Grant-State's Program			<u>233,960</u>
Home Investment Partnerships Program	B-C-11-1BB-2	14.239	<u>234,606</u>
Total U.S. Department of Housing and Urban Development			495,037
<b>U.S. DEPARTMENT OF JUSTICE</b>			
<i>Direct Program</i>			
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to Units of Local Government	2009-SB-B9-2925	16.804	<u>52,289</u>
Total U.S. Department of Justice			52,289
<b>U.S. DEPARTMENT OF LABOR</b>			
<i>Passed Through Workforce Investment Act Area 7</i>			
Workforce Investment Act (WIA) Cluster:			
WIA Adult Program	N/A	17.258	73,245
WIA Adult Program - Admin	N/A		<u>1,860</u>
Total WIA Adult Programs			75,105
WIA Youth Activities	N/A	17.259	52,694
WIA Youth Activities - Admin	N/A		<u>(1,100)</u>
Total WIA Youth Activities			51,594
WIA Dislocated Worker Formula Grants	N/A	17.278	41,126
WIA Dislocated Workers - Admin	N/A		<u>1,882</u>
Total WIA Dislocated Workers			<u>43,008</u>
Total Workforce Investment Act Cluster			<u>169,707</u>
Total U.S. Department of Labor			169,707
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Construction	PID 80478 PID 93895 PID 89455	20.205	223,238 20,610 <u>10,729</u>
Total Highway Planning and Construction			254,577
Interagency Hazardous Materials Public Sector Training and Planning Grants	HM-HMP-0302-12-01-00	20.703	<u>10,200</u>
Total U.S. Department of Transportation			264,777

**GUERNSEY COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education</i>			
Special Education - Grants to States	071118-6BSF	84.027	\$ 47,818
<i>Passed Through Ohio Department of Health</i>			
Special Education - Grants for Infants and Families	2013	84.181	<u>31,153</u>
Total U.S. Department of Education			78,971
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<i>Passed Through Ohio Secretary of State</i>			
Voting Access for Individuals with Disabilities - Grants to States	2013	93.617	710
<i>Passed Through Ohio Department of Developmental Disabilities</i>			
Social Services Block Grant	2013	93.667	36,138
Medical Assistance Program	MAC	93.778	126,676
<i>Passed through Ohio Department of Jobs and Family Services</i>			
Promoting Safe and Stable Families	G-1213-11-0045/G-1415-11-5364	93.556	139,216
Temporary Assistance for Needy Families	G-1213-11-0044/G-1415-11-5363	93.558	1,843,489
Child Support Enforcement	G-1213-11-0044/G-1415-11-5363	93.563	974,412
Child Care and Development Block Grant	G-1213-11-0044/G-1415-11-5363	93.575	79,363
Community-Based Child Abuse Prevention Grants	G-1213-11-0044/G-1415-11-5363	93.590	1,640
Stephanie Tubbs Jones Child Welfare Services Program	G-1213-11-0044/G-1415-11-5363	93.645	97,735
Foster Care - Title IV-E	G-1213-11-0045/G-1415-11-5364	93.658	710,825
Adoption Assistance	G-1213-11-0045/G-1415-11-5364	93.659	389,372
Social Services Block Grant	G-1213-11-0044/G-1415-11-5363	93.667	250,379
Chafee Foster Care Independence Program	G-1213-11-0045/G-1415-11-5364	93.674	20,162
Medical Assistance Program	G-1213-11-0044/G-1415-11-5363	93.778	<u>493,685</u>
Total U.S. Department of Health and Human Services			5,163,802
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
<i>Passed Through Ohio Emergency Management Agency</i>			
Emergency Management Performance Grants	EMW-2012-EP-00004-S01 EMW-2013-EP-00060-S01	97.042	30,505 <u>19,984</u> 50,489
Total Emergency Management Performance Grants			50,489
Homeland Security Grant Program	2010-SS-T0-0012 EMW-2011-SS-00070	97.067	53,744 <u>29,789</u> 83,533
Total Homeland Security Grant Program			83,533
Total U.S. Department of Homeland Security			<u>134,022</u>
<b>Total Federal Awards Expenditures</b>			<b><u>\$ 7,277,797</u></b>

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

**GUERNSEY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FISCAL YEAR ENDED DECEMBER 31, 2013**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - SUBRECIPIENTS**

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

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

**NOTE C - CHILD NUTRITION CLUSTER**

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

**NOTE D - FOOD DONATION PROGRAM**

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

**NOTE F - MATCHING REQUIREMENTS**

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

**NOTE G - OHIO DEPARTMENT OF DEVELOPMENTAL DISABILITIES ADJUSTMENTS**

During the calendar year, the County Board of Developmental Disabilities received a settlement for the 2008 Cost Report from the Ohio Department of Developmental Disabilities for the Medicaid Program (CFDA #93.778) in the amount of \$1,415. The Cost Report settlement was for settlement of the difference between the statewide payment rate and the rate calculated based upon actual expenditures for Medicaid services. This revenue is not listed on the County's Schedule since the underlying expenses occurred in the prior reporting periods.

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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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Guernsey County, Ohio (the County) as of and for the year ended December 31, 2013, 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 15, 2014, wherein we noted the County uses a special purpose framework other than generally accepted accounting principles. We also noted the County excluded the financial activities for the Guernsey County Port Authority, a legally separate component unit. Our report refers to other auditors who audited the financial statements of Guernsey Industries, Inc. as described in our report on the County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial report or compliance and other matters that those auditors separately reported.

### ***Internal Control Over Financial Reporting***

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the County's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-001 described in the accompanying Schedule of Findings to be a material weakness.

***Compliance and Other Matters***

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed 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 2013-001.

***Entity'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 15, 2014



# Dave Yost • Auditor of State

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

Guernsey County  
627 Wheeling Avenue  
Cambridge, Ohio 43725

To the Board of County Commissioners:

### ***Report on Compliance for Each Major Federal Program***

We have audited Guernsey County, Ohio's (the County), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the County's major federal programs for the year ended December 31, 2013. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the County's major federal programs.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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

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

As described in finding 2013-002 in the accompanying Schedule of Findings, the County did not comply with requirements regarding cash management applicable to its Community Development Block Grant major federal program. Compliance with this requirement is necessary, in our opinion, for the County to comply with requirements applicable to this program.

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

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the Community Development Block Grant – State's Program* paragraph, the County complied, in all material respects, with the requirements referred to above that could directly and materially affect its *Community Development Block Grant – State's Program major federal program* for the year ended December 31, 2013.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the County complied in all material respects with the requirements referred to above that could directly and materially affect each of its other major federal programs identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings for the year ended December 31, 2013.

***Other Matters***

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

***Report on Internal Control Over Compliance***

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

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a 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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as item 2013-002 to be a material weakness.

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

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

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

September 15, 2014

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**GUERNSEY COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A-133 § .505**  
**DECEMBER 31, 2013**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Qualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b> <ul style="list-style-type: none"> <li>• Community Development Block Grant – State's Program – Qualified</li> <li>• All other major programs - Unmodified</li> </ul>	
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b> <ul style="list-style-type: none"> <li>• Supplemental Nutrition Assistance Program – CFDA No. 10.561</li> <li>• Community Development Block Grants – State's Program, CFDA No. 14.228</li> <li>• Temporary Assistance for Needy Families, CFDA No. 93.558</li> <li>• Child Support Enforcement, CFDA No. 93.563</li> <li>• Adoption Assistance – CFDA No. 93.659</li> <li>• Medical Assistance Program – CFDA No. 93.778</li> </ul>	
<b>(d)(1)(vii)</b>	<b>Major Programs (list) (Continued):</b>	
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**GUERNSEY COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A-133 § .505**  
**DECEMBER 31, 2013**  
**(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2013-001**

**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 standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. In addition, the County failed to include the activity of a component unit, the Guernsey County Port Authority, in its annual financial report pursuant to generally accepted accounting principles. The Guernsey County Port Authority reports using the regulatory cash basis of accounting and receives two year audits. The Government Audit Quality Center does not allow different accounting bases to be used. Pursuant to Ohio Rev. Code § 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 County did not file their financial report within sixty days.

We recommend the County take necessary steps to ensure the annual financial report is prepared in accordance with generally accepted accounting principles and includes the applicable component units with a consistent basis of accounting. In addition, if the County continues to file cash basis financial statements, we recommend the financial report be filed with the Auditor of State within 60 days after the close of the fiscal year.

**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.



GUERNSEY COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2013  
(Continued)

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**Cash Management**

<b>Finding Number</b>	2013-002
<b>CFDA Title and Number</b>	Community Development Block Grant – State’s Program, CFDA No. 14.228
<b>Federal Award Number / Year</b>	B-C-11-1BB-1/B-F-12-1BB-1/B-W-08-1BB-1
<b>Federal Agency</b>	U.S. Department of Housing and Urban Development
<b>Pass-Through Agency</b>	Ohio Development Services Agency

**Noncompliance and Material Weakness**

24 C.F.R. § 85.21(c) provides that grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee. Ohio Department of Development, Office of Housing and Community Partnerships (OHCP), Financial Management Rules and Regulations Handbook § (A)(3)(f) requires grantees to develop a cash management system to ensure compliance with the Fifteen Day Rule relating to prompt disbursement of funds. This rule states that fund drawdowns should be limited to amounts that will enable the grantee to disburse funds on hand to a balance of less than \$5,000 within fifteen days of receipt. Lump sum drawdowns are not permitted.

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

In 2013, drawdowns were made, but the disbursements made within 15 days of receipt did not bring the balance on hand to a balance of less than \$5,000 for 86 percent of drawdowns. Cash on hand from these drawdowns was held for 29 to 124 days past the 15 allowable days, and the cash balance from these drawdowns over the 15 allowable days ranged from \$5,300 to \$78,000.

Based on our testing utilizing the one percent average 2013 U.S. Treasury Current Value of Funds Rate, we estimate the imputed interest could have been \$281 for the year ended December 31, 2013.

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

**Officials’ Response:** See Corrective Action Plan on page 79.

**GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 § .315(b)  
DECEMBER 31, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2012-001	A noncompliance citation was reported under Ohio Rev. Code § 5705.41(D)(1) for not properly certifying the availability of funds prior to incurring certain obligations.	Yes	
2012-002	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.	No	Not Corrected. Reissued in the current audit as Finding Number 2013-001.
2012-003	A noncompliance citation and material weakness was reported under 24 C.F.R. Section 85.21(c) and Ohio Dept. of Development, Office of Housing and Community Partnership Financial Management Rules and Regulations Handbook, Section (A)(3)(f) for not complying with the Fifteen-Day rule.	No	Not Corrected. Reissued in the current audit as Finding Number 2013-002.
2012-004	A noncompliance citation and material weakness was issued under Ohio Dept. of Development, Office of Housing and Community Partnership Financial Management Rules and Regulations Handbook, § (E)(1)(b) for not filing Final Performance Reports timely.	Yes	

**GUERNSEY COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A-133 § .315(c)  
DECEMBER 31, 2013**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2013-002	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, 2014	Guernsey County Commissioners

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# Dave Yost • Auditor of State

## GUERNSEY COUNTY FINANCIAL CONDITION

### GUERNSEY COUNTY

#### CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
SEPTEMBER 25, 2014