



**Auditor of State  
Betty Montgomery**



**GUERNSEY COUNTY**

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**FINANCIAL CONDITION  
GUERNSEY COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Guernsey County  
627 Wheeling Avenue, Ste. 203  
Cambridge, Ohio 43725

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely-presented component units and remaining fund information of Guernsey County, Ohio (the County), as of and for the year ended December 31, 2002, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Guernsey Industries, a discretely presented component unit of the County, which represents .5 percent and 2.8 percent, respectively, of the assets and revenues of the aggregate discretely-presented component units and remaining fund information. Other auditors audited those financial statements. They have furnished their report thereon to us, and we base our opinion, insofar as it relates to the amounts included for Guernsey Industries on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The other auditors audited the financial statements of Guernsey Industries in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate discretely-presented component units and remaining fund information of Guernsey County, Ohio, as of December 31, 2002, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General, Public Assistance, Motor Vehicle and Gasoline Tax, Mental Retardation and Developmental Disabilities, and Childrens Services Funds thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2002, the County implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statements No. 34, 37 and 38, and Interpretation 6.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701  
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The accompanying Schedule of Federal Awards Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

December 23, 2003

**Guernsey County, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended December 31, 2002**

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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, 2002. The intent of this discussion and analysis is to look at the County's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the County's financial performance.

**Financial Highlights**

Key financial highlights for 2002 are as follows:

- ' The net assets of the primary government decreased \$2.0 million as a result of this year's operations. Net assets of our business type activities increased by \$.3 million, or 9.2 percent, and net assets of governmental activities decreased by \$2.4 million, or 2.9 percent.
- ' All revenues totaled \$38.5 million. General revenues accounted for \$13.7 million in revenue or 35.6 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$24.8 million or 64.4 percent of all revenues.
- ' All funds totaled \$19.2 million in fund balances and net assets. Governmental fund balances increased by \$1.8 million or 14.1 percent, Business Activities net assets increased by \$.3 million, or 10 percent and Internal Service Fund net assets decreased by \$.2 million or 27 percent.
- ' The primary government had \$38.7 million in expenses related to governmental activities: only \$23.0 million of these expenses were offset by program specific charges for services and sales, grants, contributions, or interest. General revenues were \$13.3 million of which \$10.3 million was taxes with the remaining \$3 million was from grants, entitlements, interest, and miscellaneous revenues. The Governmental Activities net assets decreased by \$2.4 million.

**Using This Annual Financial Report**

This annual report consists of a series of financial statements. These statements are organized so the reader can understand the County as a financial whole or as an entire operating entity.

The *Statement of Net Assets* and the *Statement of Activities* (on pages 13 and 14-15) provides information about the activities of the whole County, presenting an aggregate view of the County's finances as well as a longer-term view of those assets

Fund financial statements which begin on page 16 provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's most significant funds in more detail than the government-wide statements. Non-major funds are presented separately from major funds in total and in one column.

**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 a private-sector business.

**Guernsey County, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended December 31, 2002**

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***Statement of Net Assets***

While this document contains information about the funds used by the County to provide services to our citizens, the view of the County as a whole looks at all financial transactions and asks the question, "How did we do financially during 2002?" The Statement of Net Assets and the Statement of Activities answers this question.

The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. The statement of activities presents information showing how the County's net assets changed during the current year. These statements are prepared using the accrual basis of accounting similar to the accounting method used by private sector companies. This basis of accounting takes into consideration all of the current year's revenues and expenses, regardless of when the cash is received or paid.

The change in net assets is important because it tells the reader whether, for the County as a whole, the financial position of the County has improved or diminished. However, in evaluating the overall position of the County, nonfinancial information such as changes in the County's tax base and the condition of the County's capital assets will also need to be evaluated.

In the statement of net assets and the statement of activities, the County is divided into three 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, and economic development. These services are funded primarily by taxes and intergovernmental revenues, including federal and state grants and other shared revenues.

**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.

**Component Unit** - The County's county-wide financial statements include financial data of the Guernsey County Port Authority. The financial statements of Guernsey Industries are presented separately. The component units are described in the notes to the financial statements. The component units are separate and may buy, sell, lease, and mortgage property in their own name and can sue or be sued in their own name.

***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 objects. 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 on the use of moneys, 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 (MVGT), Childrens Services, and Mental Retardation and Developmental Disabilities Special Revenue 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. These funds are reported on the modified accrual basis of accounting that measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements

**Guernsey County, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended December 31, 2002**

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provide a detailed short-term view of the County's general government operations and the basic services being provided, along with the financial resources available.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains a multitude of individual governmental funds. Information is presented separately on the governmental fund balance sheet and on the governmental fund statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation.

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 and liabilities relating to the County's self-insured 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. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

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.

**Guernsey County, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended December 31, 2002**

**Government-Wide Financial Analysis**

Table 1 provides a summary of the County's net assets for 2002 compared to 2001:

(Table 1)  
Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2002	2001	2002	2001	2002	2001
<b>Assets:</b>						
<b>Current and</b>						
Other Assets	\$26,738,302	\$23,756,080	\$1,234,753	\$1,191,925	\$27,973,055	\$24,948,005
Capital Assets, Net	72,451,066	74,943,553	3,947,925	3,699,097	76,398,991	78,642,650
<b>Totals Assets</b>	<b>99,189,368</b>	<b>98,699,633</b>	<b>5,182,678</b>	<b>4,891,022</b>	<b>104,372,046</b>	<b>103,590,655</b>
<b>Liabilities:</b>						
<b>Current and</b>						
Other Liabilities	7,514,732	5,661,826	114,791	101,881	7,629,523	5,763,707
Long-Term Liabilities	8,991,114	7,952,340	1,320,447	1,384,434	10,311,561	9,336,774
<b>Total Liabilities</b>	<b>16,505,846</b>	<b>13,614,166</b>	<b>1,435,238</b>	<b>1,486,315</b>	<b>17,941,084</b>	<b>15,100,481</b>
<b>Net Assets:</b>						
<b>Invested in Capital Assets,</b>						
Net of Related Debt	66,745,858	68,685,134	2,680,277	2,314,663	69,426,135	70,999,797
Restricted	12,717,094	11,691,396	0	0	12,717,094	11,691,396
Unrestricted	3,220,570	4,708,937	1,067,163	1,090,044	4,287,733	5,798,981
<b>Total Net Assets</b>	<b>\$82,683,522</b>	<b>\$85,085,467</b>	<b>\$3,747,440</b>	<b>\$3,404,707</b>	<b>\$86,430,962</b>	<b>\$88,490,174</b>

As noted earlier, the County's net assets, when reviewed over time, may serve as a useful indicator of the County's financial position. In the case of the County, assets exceeded liabilities by \$86,430,962 (\$82,683,522 in governmental activities and 3,747,440 in business-type activities) as of December 31, 2002. By far, the largest portion of the County's net assets (80.3 percent) reflects its investment in capital assets (e.g., land, buildings, improvements other than buildings, furniture and fixtures, machinery and equipment, vehicles, and infrastructure), less any related debt, used to acquire those assets, that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net assets, \$12,717,094 or 14.8 percent, represents resources that are subject to restrictions on how they can be used. The remaining balance of unrestricted assets, \$4,287,733 or 4.9 percent, are to be used to meet the County's ongoing obligations to citizens and creditors.

Table 2 shows the changes in net assets for 2002. Since this is the first year that the County has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to 2001 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

**Guernsey County, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended December 31, 2002**

Table 2  
Changes in Net Assets

	Governmental Activities 2002	Business-Type Activities 2002	Total 2002
Revenues:			
Program Revenues			
Charges for Services	\$3,795,278	\$1,778,978	\$5,574,256
Operating Grants, Contributions, and Interest	18,381,656	0	18,381,656
Capital Grants, Contributions, and Interest	830,256	0	830,256
Total Program Revenues	<u>23,007,190</u>	<u>1,778,978</u>	<u>24,786,168</u>
General Revenues			
Property Taxes	4,972,877	0	4,972,877
Permissive Taxes	5,303,637	0	5,303,637
Intergovernmental	1,852,972	0	1,852,972
Interest	812,534	6,653	819,187
Miscellaneous	397,630	367,056	764,686
Total General Revenues	<u>13,339,650</u>	<u>373,709</u>	<u>13,713,359</u>
Total Revenues	<u>36,346,840</u>	<u>2,152,687</u>	<u>38,499,527</u>
Transfers	<u>(51,109)</u>	<u>51,109</u>	<u>0</u>
Total Revenues and Transfers	<u>36,295,731</u>	<u>2,203,796</u>	<u>38,499,527</u>
Program Expenses:			
General Government			
Legislative and Executive	4,314,274	0	4,314,274
Judicial	2,756,703	0	2,756,703
Public Safety	3,095,408	0	3,095,408
Public Works	9,631,647	0	9,631,647
Health	5,195,039	0	5,195,039
Human Services	12,318,960	0	12,318,960
Economic Development and Assistance	583,732	0	583,732
Other	387,471	0	387,471
Interest and Fiscal Charges	414,442	0	414,442
Sewer	0	148,926	148,926
Water	0	1,712,137	1,712,137
Total Expenses	<u>38,697,676</u>	<u>1,861,063</u>	<u>40,558,739</u>
Increase in Net Assets	<u>(\$2,401,945)</u>	<u>\$342,733</u>	<u>(\$2,059,212)</u>

**Governmental Activities**

Operating grants were the largest program revenues, accounting for \$18,381,656 or 50.6 percent of total governmental revenues. The major recipients of intergovernmental program revenues were the Public Assistance, Motor Vehicle and Gasoline Tax (MVGTT), Child Support Enforcement Agency (CSEA), and Mental Retardation and Developmental Disabilities (MRDD) governmental activities.

Property tax revenues account for \$4,972,877 or 13.7 percent of total governmental revenues. Another major component of general governmental revenues was permissive sales taxes, which accounted for \$5,303,637 or 14.6 percent of total revenues.

**Guernsey County, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended December 31, 2002**

The County's direct charges to users of governmental services made up \$3,795,278 or 10.4 percent of total governmental revenues. These charges are for fees for real estate transfers, fees associated with the collection of property taxes, fees collected by the various departments within the County, fines and forfeitures related to judicial activity, and licenses and permits.

Human services programs accounted for \$12,318,960, or 31.8 percent of total expenses for governmental activities. The next largest program expense for governmental activities are public works programs, which accounted for \$9,631,647, or 24.8 percent of total expenses, and health programs, which accounted for \$5,195,039, or 13.4 percent of total expenses.

**Business-Type Activities**

Net assets for business-type activities increased by \$342,733 during 2002. Charges for services was the only program revenue, accounting for \$1,778,978, or 80.7 percent of total business-type revenues.

Table 3, for governmental activities, indicates the total cost of services and the net cost of services. The statement of activities reflects the cost of program services and the charges for services, and sales, grants, contributions, and interest offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues. Comparisons to 2001 have not been made since they are not available.

Table 3  
Governmental Activities

	Total Cost of Services	Net Cost of Services
	2002	2002
General Government		
Legislative and Executive	\$4,314,274	\$2,575,371
Judicial	2,756,703	1,452,128
Public Safety	3,095,408	2,576,292
Public Works	9,631,647	3,372,815
Health	5,195,039	2,701,985
Human Services	12,318,960	2,096,929
Economic Development and Assistance	583,732	113,053
Other	387,471	387,471
Interest and Fiscal Charges	414,442	414,442
Total Expenses	\$38,697,676	\$15,690,486

Charges for services, operating grants, capital grants, and interest of \$23,007,190, or 59.4 percent of the total costs of services, are received and used to fund the general government expenses of the County. The remaining \$15,690,486 in general government expenses are funded by property taxes, permissive sales taxes, intergovernmental revenues, interest, and miscellaneous revenues.

The \$2,575,371 in net costs for Legislative and Executive demonstrates the need for property tax revenues in the County.

The \$2,701,985 in net cost of services for Health demonstrates the costs of services that are not supported from state and federal resources. As such, the taxpayers have approved property tax levies for Mental Retardation and Developmental Disabilities program.

**Guernsey County, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended December 31, 2002**

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The \$2,096,929 in net costs of services for Human Services demonstrates the costs of services that are not supported from state and federal resources. As such, the taxpayers have approved a property tax levy for the Childrens Services Board program.

**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, 2002, the County's governmental funds reported a combined ending fund balance of \$14,966,266, an increase of \$1,851,629 in comparison with the prior year. Approximately \$14,820,308, or 99 percent of this total, constitutes unreserved undesignated fund balance, which is available for spending at the County's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior year (\$55,827) or reserved for claimants (\$90,131). While the bulk of the governmental fund balances are not reserved in the governmental fund statements, they lead to restricted net assets on the Statement of Net Assets due to expenditure restrictions mandated by the source of the resource, such as the state or federal government.

The General Fund is the primary operating fund of the County. At the end of 2001, unreserved fund balance was \$4,674,487, while total fund balance for governmental funds was \$13,114,637. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 47.6 percent to total General Fund expenditures, while total fund balance represents 40.2 percent of that same amount.

The fund balance of the County's General Fund increased by \$73,982 during 2002. This demonstrates that the County's General Fund is operating consistently over the past two years.

*Proprietary Funds* - The County maintains two different types of proprietary funds. Enterprise funds are used to report functions presented as business-type activities on the government-wide financial statements. The County uses enterprise funds to account for 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 County uses an internal service fund to account for the self-insurance program. The Self-Insurance Fund accounts for the claims and liabilities relating to the County's self-insured hospitalization program.

As of December 31, 2002, net assets for the County's enterprise funds were \$3,747,440. Of that total, \$1,067,163 represents unrestricted net assets that are available for spending at the County's discretion.

As of December 31, 2002, unrestricted net assets in the self-insurance program were \$527,952. Program revenues (premiums) were insufficient to cover rising claims activity in the County's self-insured hospitalization program during 2002.

**Guernsey County, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended December 31, 2002**

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**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. By State statute, the Board of County Commissioners adopts a temporary operating budget for the County prior to the first day of January. The Board of County Commissioners adopts a permanent annual operating budget for the County prior to the first day of April.

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

For the Motor Vehicle and Gasoline Tax Fund, there were significant variances between the budget and actual amounts for intergovernmental revenues and public work expenditures. The County failed to record any budgetary activity for the \$1,946,094 Highway Planning and Construction grant causing a budgetary variance of \$828,350.

**Capital Assets and Debt Administration**

*Capital Assets* - The County's capital assets for governmental and business-type activities as of December 31, 2002, were \$76,398,991 (net of accumulated depreciation). This includes land, buildings and improvements, improvements other than buildings, furniture and fixtures, machinery and equipment, vehicles, and infrastructure.

For governmental activities, significant capital asset additions during 2002 included the replacement and additions of bridges, acquisition and renovation of County Administration Building, and road resurfacing projects throughout the County.

For business-type activities, major capital asset additions during 2002 included the completion of various waterline projects.

Note 10 (Capital Assets) provides capital asset activity during 2002.

*Long Term Debt* - As of December 31, 2002, the County had total general obligation bonded debt outstanding principal of \$4,800,042. All of this debt is expected to be repaid through governmental activities. The County's long term general obligation bonded debt decreased by \$423,352 (8 percent) during 2002. Other outstanding long-term debt included special assessment bonds of \$638,728, long-term notes payable of \$2,000,000, O.P.W.C. loans of \$118,978, enterprise general obligation bonds of \$548,023, and OWDA loan of \$719,625.

In addition to the bonded debt, the County's long-term obligations include compensated absences and capital leases liability. Additional information on the County's long-term debt can be found in Note 17 of this report.

**Economic Factors**

The County's population estimate is currently 40,959 with an unemployment rate of 5.4 percent, which is based on the 2000 census. This rate is attributed to the impact of the national and local recession.

The County's permissive sales tax revenues have increased slightly over the past three years, despite uncertain economic conditions.

**Guernsey County, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended December 31, 2002**

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The County's general fund balance has managed to remain steady or increase slightly in recent years. This is attributed to conservative budgeting and spending by the County.

The various economic factors were considered in the preparation of the County's 2002 budget, and will be considered in the preparation of future budgets. Appropriate measures will be taken to ensure spending is within available resources.

**Requests for Information**

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Tony Brown, Guernsey County Auditor, 801 Wheeling Avenue, Cambridge, Ohio 43725.

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**Guernsey County, Ohio**  
**Statement of Net Assets**  
**December 31, 2002**

	Primary Government			Component Unit
	Governmental Activities	Business - Type Activities	Total	Guernsey County Port Authority
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$15,209,475	\$920,074	\$16,129,549	\$0
Cash and Cash Equivalents	0	0	0	13,521
Permissive Sales Taxes Receivable	839,644	0	839,644	0
Accounts Receivable	97,411	236,384	333,795	0
Internal Balances	(527)	527	0	0
Investments	86,829	0	86,829	0
Intergovernmental Receivable	3,568,482	0	3,568,482	0
Property Taxes Receivable	5,839,930	0	5,839,930	0
Prepaid Items	152,215	0	152,215	0
Accrued Interest Receivable	114,800	0	114,800	0
Materials and Supplies Inventory	214,574	77,768	292,342	0
Special Assessments Receivable	615,469	0	615,469	0
Non-Depreciable Capital Assets	22,030,829	21,438	22,052,267	0
Depreciable Capital Assets, Net	50,420,237	3,926,487	54,346,724	0
<i>Total Assets</i>	<u>99,189,368</u>	<u>5,182,678</u>	<u>104,372,046</u>	<u>13,521</u>
<b>Liabilities</b>				
Matured Capital Leases Payable	1,300	0	1,300	0
Matured Interest Payable	272	0	272	0
Accounts Payable	548,919	16,416	565,335	0
Contracts Payable	24,176	0	24,176	0
Accrued Wages and Benefits	322,723	10,569	333,292	0
Intergovernmental Payable	1,056,040	63,535	1,119,575	0
Accrued Interest Payable	67,349	24,271	91,620	0
Compensated Absences Payable	6,821	0	6,821	0
Claims Payable	324,625	0	324,625	0
Deferred Revenue	5,162,507	0	5,162,507	0
Long-Term Liabilities:				
Due Within One Year	3,171,017	117,546	3,288,563	0
Due In More Than One Year	5,820,097	1,202,901	7,022,998	0
<i>Total Liabilities</i>	<u>16,505,846</u>	<u>1,435,238</u>	<u>17,941,084</u>	<u>0</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	66,745,858	2,680,277	69,426,135	0
Restricted for:				
Capital Projects	1,155,405	0	1,155,405	0
Debt Service	1,046,892	0	1,046,892	0
Other Purposes	10,514,797	0	10,514,797	0
Unrestricted	3,220,570	1,067,163	4,287,733	13,521
<i>Total Net Assets</i>	<u>\$82,683,522</u>	<u>\$3,747,440</u>	<u>\$86,430,962</u>	<u>\$13,521</u>

See accompanying notes to the basic financial statements

**Guernsey County, Ohio**  
**Statement of Activities**  
**For the Year Ended December 31, 2002**

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest
<b>Programs</b>				
<b>Primary Government:</b>				
Governmental Activities:				
General Government:				
Legislative and Executive	\$4,314,274	\$1,649,432	\$40,418	\$49,053
Judicial	2,756,703	808,421	496,154	0
Public Safety	3,095,408	266,485	252,631	0
Public Works	9,631,647	414,929	5,062,700	781,203
Health	5,195,039	392,997	2,100,057	0
Human Services	12,318,960	263,014	9,959,017	0
Economic Development and Assistance	583,732	0	470,679	0
Other	387,471	0	0	0
Interest and Fiscal Charges	414,442	0	0	0
<i>Total Governmental Activities</i>	<u>38,697,676</u>	<u>3,795,278</u>	<u>18,381,656</u>	<u>830,256</u>
Business-Type Activities:				
Sewer	148,926	154,697	0	0
Water	1,712,137	1,624,281	0	0
<i>Total Business-Type Activities</i>	<u>1,861,063</u>	<u>1,778,978</u>	<u>0</u>	<u>0</u>
<i>Total Primary Government</i>	<u>\$40,558,739</u>	<u>\$5,574,256</u>	<u>\$18,381,656</u>	<u>\$830,256</u>
<b>Component Unit:</b>				
Guernsey County Port Authority	<u>\$15,998</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

**General Revenues**

Property Taxes Levied for General Purposes  
Property Taxes Levied for:  
  Motor Vehicle and Gasoline Tax  
  Health Levy  
  County Home Levy  
  Children Services Levy  
  Mental Retardation and Developmental Disabilities Levy  
  Senior Citizens Levy  
Permissive Sales Taxes Levied for General Purposes  
Permissive Sales Taxes Levied for Debt Service  
Grants and Entitlements not Restricted to Specific Programs  
Investment Earnings  
Miscellaneous  
Transfers  
*Total General Revenues and Transfers*

*Change in Net Assets*

Net Assets Beginning of Year (See Note 3)

*Net Assets End of Year*

See accompanying notes to the basic financial statements

Net (Expense) Revenue  
and Changes in Net Assets

Primary Government			Component Unit
Governmental Activities	Business - Type Activities	Total	Guernsey County Port Authority
(\$2,575,371)	\$0	(\$2,575,371)	\$0
(1,452,128)	0	(1,452,128)	0
(2,576,292)	0	(2,576,292)	0
(3,372,815)	0	(3,372,815)	0
(2,701,985)	0	(2,701,985)	0
(2,096,929)	0	(2,096,929)	0
(113,053)	0	(113,053)	0
(387,471)	0	(387,471)	0
(414,442)	0	(414,442)	0
<u>(15,690,486)</u>	<u>0</u>	<u>(15,690,486)</u>	<u>0</u>
0	5,771	5,771	0
0	(87,856)	(87,856)	0
<u>0</u>	<u>(82,085)</u>	<u>(82,085)</u>	<u>0</u>
<u>(15,690,486)</u>	<u>(82,085)</u>	<u>(15,772,571)</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>(15,998)</u>
1,142,180	0	1,142,180	0
171,747	0	171,747	0
286,102	0	286,102	0
38,424	0	38,424	0
867,565	0	867,565	0
2,082,624	0	2,082,624	0
384,235	0	384,235	0
4,752,303	0	4,752,303	0
551,334	0	551,334	0
1,852,972	0	1,852,972	0
812,534	6,653	819,187	236
397,630	367,056	764,686	0
(51,109)	51,109	0	0
<u>13,288,541</u>	<u>424,818</u>	<u>13,713,359</u>	<u>236</u>
(2,401,945)	342,733	(2,059,212)	(15,762)
<u>85,085,467</u>	<u>3,404,707</u>	<u>88,490,174</u>	<u>29,283</u>
<u>\$82,683,522</u>	<u>\$3,747,440</u>	<u>\$86,430,962</u>	<u>\$13,521</u>

**Guernsey County, Ohio**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2002**

	General	Public Assistance	Motor Vehicle and Gasoline Tax	Childrens Services
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$3,644,021	\$784,712	\$623,032	\$1,380,944
Investments	0	0	0	86,829
Receivables:				
Property Taxes	1,348,577	0	0	1,034,363
Permissive Sales Taxes	803,310	0	0	0
Accounts	65,662	0	25,075	930
Intergovernmental	658,619	57,844	1,637,906	357,621
Interfund	143,446	86,108	0	79,673
Accrued Interest	114,800	0	0	0
Due from Other Funds:				
Special Assessments	0	0	0	0
Materials and Supplies Inventory	25,192	13,065	152,919	210
Prepaid Items	71,070	488	0	133
<i>Total Assets</i>	<u>\$6,874,697</u>	<u>\$942,217</u>	<u>\$2,438,932</u>	<u>\$2,940,703</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$147,475	\$41,705	\$138,445	\$2,200
Contracts Payable	24,176	0	0	0
Accrued Wages and Benefits	45,655	92,162	27,390	30,358
Matured Compensated Absences Payable	6,821	0	0	0
Interfund Payable	0	125,908	0	0
Intergovernmental Payable	134,234	823,043	13,991	13,712
Deferred Revenue	1,766,295	57,844	1,238,555	1,354,864
Matured Interest Payable	272	0	0	0
Matured Capital Leases Payable	1,300	0	0	0
<i>Total Liabilities</i>	<u>2,126,228</u>	<u>1,140,662</u>	<u>1,418,381</u>	<u>1,401,134</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	44,549	0	0	0
Reserved for Claimants	90,131	0	0	0
Unreserved:				
Undesignated, Reported in:				
General Fund	4,613,789	0	0	0
Special Revenue Funds	0	(198,445)	1,020,551	1,539,569
Debt Service Funds	0	0	0	0
Capital Projects Funds	0	0	0	0
<i>Total Fund Balances</i>	<u>4,748,469</u>	<u>(198,445)</u>	<u>1,020,551</u>	<u>1,539,569</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$6,874,697</u>	<u>\$942,217</u>	<u>\$2,438,932</u>	<u>\$2,940,703</u>

See accompanying notes to the basic financial statements

Mental Retardation and Developmental Disabilities	Other Governmental Funds	Total Governmental Funds
\$4,097,480	\$3,826,708	\$14,356,897
0	0	86,829
2,579,184	877,806	5,839,930
0	36,334	839,644
1,815	3,929	97,411
411,741	444,751	3,568,482
0	0	309,227
0	0	114,800
0	615,469	615,469
23,188	0	214,574
79,312	1,212	152,215
<u>\$7,192,720</u>	<u>\$5,806,209</u>	<u>\$26,195,478</u>
\$26,072	\$193,022	\$548,919
0	0	24,176
86,376	40,782	322,723
0	0	6,821
3,318	180,528	309,754
38,576	32,484	1,056,040
2,718,499	1,823,150	8,959,207
0	0	272
0	0	1,300
<u>2,872,841</u>	<u>2,269,966</u>	<u>11,229,212</u>
0	11,278	55,827
0	0	90,131
0	0	4,613,789
4,319,879	1,870,788	8,552,342
0	498,772	498,772
0	1,155,405	1,155,405
<u>4,319,879</u>	<u>3,536,243</u>	<u>14,966,266</u>
<u>\$7,192,720</u>	<u>\$5,806,209</u>	<u>\$26,195,478</u>

**Guernsey County, Ohio**  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Assets of Governmental Activities**  
**December 31, 2002**

**Total Governmental Fund Balances** \$14,966,266

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

Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds. 72,451,066

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Taxes	677,423	
Special Assessments	615,469	
Intergovernmental	2,389,008	
Interest	114,800	
<b>Total</b>	<b>3,796,700</b>	<b>3,796,700</b>

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. 527,952

Long-term liabilities and accrued interest are not due and payable in the current period and therefore are not reported in the funds:

General Obligation Bonds	(4,800,042)	
Compensated Absences	(1,285,905)	
Accrued Interest Payable	(67,349)	
Special Assessments Bonds	(638,728)	
OPWC Loans Payable	(118,978)	
Long-Term Notes Payable	(2,000,000)	
Capital Leases	(147,460)	
<b>Total</b>	<b>(9,058,462)</b>	<b>(9,058,462)</b>

**Net Assets of Governmental Activities** \$82,683,522

See accompanying notes to the basic financial statements

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**Guernsey County, Ohio**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2002**

	General	Public Assistance	Motor Vehicle and Gasoline Tax	Childrens Services
<b>Revenues</b>				
Property and Other Local Taxes	\$1,167,024	\$0	\$171,747	\$860,155
Special Assessment	0	0	0	0
Permissive Sales Taxes	4,752,303	0	0	0
Charges for Services	1,815,727	0	25,075	19,548
Licenses and Permits	21,830	0	0	0
Fines and Forfeitures	109,095	0	310,748	0
Intergovernmental	1,827,942	7,782,685	4,931,846	1,303,138
Interest	804,501	0	7,020	1,119
Rent	150,655	0	0	0
Other	25,246	13,990	2,669	11,187
<i>Total Revenues</i>	<u>10,674,323</u>	<u>7,796,675</u>	<u>5,449,105</u>	<u>2,195,147</u>
<b>Expenditures</b>				
Current:				
General Government:				
Legislative and Executive	3,946,095	0	0	0
Judicial	2,014,491	0	0	0
Public Safety	2,675,382	0	0	0
Public Works	289,947	0	5,544,691	0
Health	48,271	0	0	0
Human Services	224,887	7,985,483	0	2,410,175
Economic Development and Assistance	61,194	0	0	0
Other	387,471	0	0	0
Debt Service:				
Principal Retirement	37,485	0	0	0
Interest and Fiscal Charges	10,695	0	0	0
<i>Total Expenditures</i>	<u>9,695,918</u>	<u>7,985,483</u>	<u>5,544,691</u>	<u>2,410,175</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	978,405	(188,808)	(95,586)	(215,028)
<b>Other Financing Sources (Uses):</b>				
Proceeds of Notes	0	0	0	0
Transfers In	0	306,021	125,000	0
Transfers Out	(904,423)	0	(55,996)	(157,390)
<i>Total Other Financing Sources (Uses)</i>	<u>(904,423)</u>	<u>306,021</u>	<u>69,004</u>	<u>(157,390)</u>
<i>Net Change in Fund Balances</i>	73,982	117,213	(26,582)	(372,418)
Fund Balances (Deficit) Beginning of Year - Restated (See Note 3)	4,674,487	(315,658)	1,047,133	1,911,987
Residual Equity Transfers In	0	0	0	0
Residual Equity Transfers Out	0	0	0	0
<i>Fund Balances End of Year</i>	<u>\$4,748,469</u>	<u>(\$198,445)</u>	<u>\$1,020,551</u>	<u>\$1,539,569</u>

See accompanying notes to the basic financial statements

Mental Retardation and Developmental Disabilities	Other Governmental Funds	Total Governmental Funds
\$2,163,773	\$737,771	\$5,100,470
0	46,365	46,365
0	551,334	5,303,637
80,872	1,019,921	2,961,143
0	68,844	90,674
0	118,919	538,762
2,369,987	3,109,682	21,325,280
0	51,788	864,428
0	146,126	296,781
120,909	140,784	314,785
<u>4,735,541</u>	<u>5,991,534</u>	<u>36,842,325</u>
0	1,251,269	5,197,364
0	469,911	2,484,402
0	599,678	3,275,060
0	521,515	6,356,153
3,638,689	1,392,851	5,079,811
0	1,565,951	12,186,496
0	522,538	583,732
0	0	387,471
4,652	966,074	1,008,211
1,810	368,382	380,887
<u>3,645,151</u>	<u>7,658,169</u>	<u>36,939,587</u>
1,090,390	(1,666,635)	(97,262)
0	2,000,000	2,000,000
0	655,929	1,086,950
0	(20,250)	(1,138,059)
<u>0</u>	<u>2,635,679</u>	<u>1,948,891</u>
1,090,390	969,044	1,851,629
3,229,489	2,567,199	13,114,637
0	66,840	66,840
0	(66,840)	(66,840)
<u>\$4,319,879</u>	<u>\$3,536,243</u>	<u>\$14,966,266</u>

**Guernsey County, Ohio**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended December 31, 2002**

**Net Change in Fund Balances - Governmental Funds** \$1,851,629

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:

Capital Asset Additions	3,959,058	
Current Year Depreciation	(6,402,886)	
Total		(2,443,828)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on disposal of assets. (48,659)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund:

Taxes	(127,589)	
Intergovernmental	(297,357)	
Special Assessments	(69,624)	
Interest	(912)	
Total		(495,482)

Repayments of principal are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the Statement of Net Assets:

General Obligation Bonds	423,352	
Long-Term Notes Payable	455,000	
Special Assessment Bonds Payable	46,365	
OPWC Notes Payable	38,482	
Capital Leases	45,012	
Total		1,008,211

Debt proceeds are other financing sources in the governmental funds, but the issuance increases the long-term liabilities on the statement of activities. (2,000,000)

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. (33,283)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:  
Compensated Absences (46,984)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net expenses of the internal service fund is allocated among governmental activities. (193,549)

**Change in Net Assets of Governmental Activities** (\$2,401,945)

See accompanying notes to the basic financial statements

**Guernsey County, Ohio**  
**Statement of Revenues, Expenditures and Changes**  
**In Fund Balance - Budget (Non-GAAP Basis) and Actual**  
**General Fund**  
**For the Year Ended December 31, 2002**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Taxes	\$1,174,377	\$1,012,963	\$1,165,643	\$152,680
Permissive Sales Taxes	4,612,000	4,381,684	4,734,828	353,144
Charges for Services	1,451,037	1,533,400	1,731,638	198,238
Licenses and Permits	26,000	26,660	21,830	(4,830)
Fines and Forfeitures	76,000	76,000	109,095	33,095
Intergovernmental	1,065,591	1,560,630	1,540,387	(20,243)
Interest	750,000	750,000	654,328	(95,672)
Rent	148,630	148,630	150,655	2,025
Other	9,629	7,229	24,557	17,328
<i>Total Revenues</i>	<u>9,313,264</u>	<u>9,497,196</u>	<u>10,132,961</u>	<u>635,765</u>
<b>Expenditures</b>				
Current:				
General Government -				
Legislative and Executive	4,938,955	4,923,021	3,900,401	1,022,620
Judicial	2,125,886	2,266,264	2,028,074	238,190
Public Safety	2,822,746	2,892,284	2,670,130	222,154
Public Works	171,591	303,947	284,257	19,690
Health	48,132	51,375	50,206	1,169
Human Services	243,661	269,116	243,343	25,773
Economic Development and Assistance	895,000	900,000	61,194	838,806
Other	386,930	392,780	387,471	5,309
Debt Service:				
Principal Retirement	36,185	36,185	36,185	0
Interest and Fiscal Charges	10,695	10,695	10,695	0
<i>Total Expenditures</i>	<u>11,679,781</u>	<u>12,045,667</u>	<u>9,671,956</u>	<u>2,373,711</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(2,366,517)</u>	<u>(2,548,471)</u>	<u>461,005</u>	<u>3,009,476</u>
<b>Other Financing Sources (Uses)</b>				
Operating Transfers In	0	96,065	0	(96,065)
Operating Transfers - Out	(1,278,371)	(1,236,770)	(904,423)	332,347
<i>Total Other Financing Sources (Uses)</i>	<u>(1,278,371)</u>	<u>(1,140,705)</u>	<u>(904,423)</u>	<u>236,282</u>
<i>Net Change in Fund Balance</i>	<u>(3,644,888)</u>	<u>(3,689,176)</u>	<u>(443,418)</u>	<u>3,245,758</u>
Fund Balance at Beginning of Year	3,735,919	3,735,919	3,735,919	0
Prior Year Encumbrances Appropriated	44,289	44,289	44,289	0
<i>Fund Balance at End of Year</i>	<u><u>\$135,320</u></u>	<u><u>\$91,032</u></u>	<u><u>\$3,336,790</u></u>	<u><u>\$3,245,758</u></u>

See accompanying notes to the basic financial statements

**Guernsey County, Ohio**  
**Statement of Revenues, Expenditures and Changes**  
**In Fund Balance - Budget (Non-GAAP Basis) and Actual**  
**Public Assistance Fund**  
**For the Year Ended December 31, 2002**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$7,763,490	\$7,496,652	\$7,176,641	(\$320,011)
Other	0	0	13,990	13,990
<i>Total Revenues</i>	<u>7,763,490</u>	<u>7,496,652</u>	<u>7,190,631</u>	<u>(306,021)</u>
<b>Expenditures</b>				
Current:				
Human Services	<u>8,316,671</u>	<u>8,049,833</u>	<u>7,265,121</u>	<u>784,712</u>
<i>Excess of Revenues Under Expenditures</i>	(553,181)	(553,181)	(74,490)	478,691
<b>Other Financing Sources</b>				
Operating Transfers In	<u>0</u>	<u>0</u>	<u>306,021</u>	<u>306,021</u>
<i>Net Change in Fund Balance</i>	(553,181)	(553,181)	231,531	784,712
Fund Balance at Beginning of Year	<u>553,181</u>	<u>553,181</u>	<u>553,181</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$784,712</u></u>	<u><u>\$784,712</u></u>

See accompanying notes to the basic financial statements

**Guernsey County, Ohio**  
**Statement of Revenues, Expenditures and Changes**  
**In Fund Balance - Budget (Non-GAAP Basis) and Actual**  
**Motor Vehicle and Gasoline Tax Fund**  
**For the Year Ended December 31, 2002**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property and Other Local Taxes	\$130,000	\$130,000	\$171,747	\$41,747
Fines and Forfeitures	220,000	257,362	310,748	53,386
Intergovernmental	2,810,000	3,576,966	4,914,768	1,337,802
Interest	24,000	24,000	6,313	(17,687)
Other	0	0	2,669	2,669
<i>Total Revenues</i>	3,184,000	3,988,328	5,406,245	1,417,917
<b>Expenditures</b>				
Current:				
Public Works	3,751,230	4,592,076	5,420,426	(828,350)
<i>Excess of Revenues Under Expenditures</i>	(567,230)	(603,748)	(14,181)	589,567
<b>Other Financing Sources (Uses)</b>				
Operating Transfers In	125,000	125,000	125,000	0
Operating Transfers Out	0	(88,482)	(55,996)	32,486
Total Other Financing Sources Uses	125,000	36,518	69,004	32,486
<i>Net Change in Fund Balance</i>	(442,230)	(567,230)	54,823	622,053
Fund Balance at Beginning of Year	567,230	567,230	567,230	0
<i>Fund Balance at End of Year</i>	\$125,000	\$0	\$622,053	\$622,053

See accompanying notes to the basic financial statements

**Guernsey County, Ohio**  
**Statement of Revenues, Expenditures and Changes**  
**In Fund Balance - Budget (Non-GAAP Basis) and Actual**  
**Childrens Services Fund**  
**For the Year Ended December 31, 2002**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$879,024	\$755,011	\$859,093	\$104,082
Charges for Services	45,500	45,500	42,933	(2,567)
Intergovernmental	1,624,200	1,748,213	1,968,714	220,501
Interest	5,100	5,100	3,561	(1,539)
Other	1,600	1,600	11,187	9,587
<i>Total Revenues</i>	<u>2,555,424</u>	<u>2,555,424</u>	<u>2,885,488</u>	<u>330,064</u>
<b>Expenditures</b>				
Current:				
Human Services	<u>3,673,655</u>	<u>3,516,265</u>	<u>2,392,769</u>	<u>1,123,496</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,118,231)	(960,841)	492,719	1,453,560
<b>Other Financing Uses</b>				
Operating Transfers Out	<u>0</u>	<u>(157,390)</u>	<u>(157,390)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(1,118,231)	(1,118,231)	335,329	1,453,560
Fund Balance at Beginning of Year	<u>1,118,231</u>	<u>1,118,231</u>	<u>1,118,231</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$1,453,560</u>	<u>\$1,453,560</u>

See accompanying notes to the basic financial statements

**Guernsey County, Ohio**  
**Statement of Revenues, Expenditures and Changes**  
**In Fund Balance - Budget (Non-GAAP Basis) and Actual**  
**Mental Retardation and Developmental Disabilities Fund**  
**For the Year Ended December 31, 2002**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$2,260,654	\$1,952,769	\$2,160,588	\$207,819
Charges for Services	11,000	9,516	69,953	60,437
Intergovernmental	1,682,019	2,096,256	2,415,469	319,213
Other	31,500	32,171	120,909	88,738
<i>Total Revenues</i>	<u>3,985,173</u>	<u>4,090,712</u>	<u>4,766,919</u>	<u>676,207</u>
<b>Expenditures</b>				
Current:				
Health	6,875,233	6,946,161	3,652,964	3,293,197
Debt Service:				
Principal Retirement	4,652	4,652	4,652	0
Interest and Fiscal Charges	1,810	1,810	1,810	0
<i>Total Expenditures</i>	<u>6,881,695</u>	<u>6,952,623</u>	<u>3,659,426</u>	<u>3,293,197</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(2,896,522)</u>	<u>(2,861,911)</u>	<u>1,107,493</u>	<u>3,969,404</u>
<b>Other Financing Sources (Uses)</b>				
Operating Transfers In	0	55,000	0	(55,000)
Operating Transfers Out	0	(132,540)	0	132,540
Total Other Financing Sources (Uses)	<u>0</u>	<u>(77,540)</u>	<u>0</u>	<u>77,540</u>
<i>Net Change in Fund Balance</i>	(2,896,522)	(2,939,451)	1,107,493	4,046,944
Fund Balance at Beginning of Year	2,896,521	2,896,521	2,896,521	0
Prior Year Encumbrances Appropriated	<u>42,930</u>	<u>42,930</u>	<u>42,930</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$42,929</u>	<u>\$0</u>	<u>\$4,046,944</u>	<u>\$4,046,944</u>

See accompanying notes to the basic financial statements

**Guernsey County, Ohio**  
**Statement of Fund Net Assets**  
**Proprietary Funds**  
**December 31, 2002**

	<u>Business - Type Activities - Enterprise Funds</u>			Governmental Activities- Internal Service Fund
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	
<b>Assets</b>				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$169,294	\$750,780	\$920,074	\$852,577
Receivables:				
Accounts	11,675	224,709	236,384	0
Interfund	0	527	527	0
Materials and Supplies Inventory	82	77,686	77,768	0
Prepaid Items	0	0	0	0
<i>Total Current Assets</i>	<u>181,051</u>	<u>1,053,702</u>	<u>1,234,753</u>	<u>852,577</u>
Noncurrent Assets:				
Restricted Assets:				
Non Depreciable Capital Assets	1,431	20,007	21,438	0
Depreciable Capital Assets, Net	416,730	3,509,757	3,926,487	0
<i>Total Noncurrent Assets</i>	<u>418,161</u>	<u>3,529,764</u>	<u>3,947,925</u>	<u>0</u>
<i>Total Assets</i>	<u>599,212</u>	<u>4,583,466</u>	<u>5,182,678</u>	<u>852,577</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	7,859	8,557	16,416	0
Accrued Wages and Benefits Payable	1,058	9,511	10,569	0
Compensated Absences Payable	3,157	21,131	24,288	0
Intergovernmental Payable	478	63,057	63,535	0
Claims Payable	0	0	0	324,625
Accrued Interest Payable	0	24,271	24,271	0
Current Portion of General Obligation Bonds Payable	0	19,631	19,631	0
Current Portion of OWDA Loans Payable	0	89,127	89,127	0
<i>Total Current Liabilities</i>	<u>12,552</u>	<u>235,285</u>	<u>247,837</u>	<u>324,625</u>
Long-Term Liabilities:				
Compensated Absences Payable	3,706	24,805	28,511	0
OWDA Loans Payable (Net of Current Portion)	0	630,498	630,498	0
General Obligation Bonds Payable (Net of Current Portion)	0	528,392	528,392	0
<i>Total Long-Term Liabilities</i>	<u>3,706</u>	<u>1,183,695</u>	<u>1,187,401</u>	<u>0</u>
<i>Total Liabilities</i>	<u>16,258</u>	<u>1,418,980</u>	<u>1,435,238</u>	<u>324,625</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	418,161	2,262,116	2,680,277	0
Unrestricted	164,793	902,370	1,067,163	527,952
<i>Total Net Assets</i>	<u>\$582,954</u>	<u>\$3,164,486</u>	<u>\$3,747,440</u>	<u>\$527,952</u>

See accompanying notes to the basic financial statements

**Guernsey County, Ohio**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended December 31, 2002**

	<u>Business - Type Activities - Enterprise Funds</u>			Governmental Activities- Internal Service Fund
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	
<b>Operating Revenues</b>				
Charges for Services	<u>\$154,697</u>	<u>\$1,624,281</u>	<u>\$1,778,978</u>	<u>\$1,811,656</u>
<b>Operating Expenses</b>				
Personal Services	42,471	388,177	430,648	0
Contractual Services	78,385	835,016	913,401	224,396
Materials and Supplies	5,899	137,894	143,793	0
Claims	0	0	0	1,780,809
Depreciation	19,106	189,411	208,517	0
Other	<u>3,065</u>	<u>45,365</u>	<u>48,430</u>	<u>0</u>
<i>Total Operating Expenses</i>	<u>148,926</u>	<u>1,595,863</u>	<u>1,744,789</u>	<u>2,005,205</u>
<i>Operating Income (Loss)</i>	<u>5,771</u>	<u>28,418</u>	<u>34,189</u>	<u>(193,549)</u>
<b>Non-Operating Revenues (Expenses)</b>				
Loss on Disposal of Capital Assets	0	(23,371)	(23,371)	0
Interest	0	6,653	6,653	0
Interest and Fiscal Charges	0	(92,903)	(92,903)	0
Other Non-Operating Revenues	<u>100</u>	<u>366,956</u>	<u>367,056</u>	<u>0</u>
<i>Total Non-Operating Revenues (Expenses)</i>	<u>100</u>	<u>257,335</u>	<u>257,435</u>	<u>0</u>
<i>Income (Loss) Before Transfers</i>	5,871	285,753	291,624	(193,549)
Transfers In	<u>0</u>	<u>51,109</u>	<u>51,109</u>	<u>0</u>
<i>Change in Net Assets</i>	5,871	336,862	342,733	(193,549)
Net Assets Beginning of Year - Restated (See Note 3)	<u>577,083</u>	<u>2,827,624</u>	<u>3,404,707</u>	<u>721,501</u>
<i>Net Assets End of Year</i>	<u>\$582,954</u>	<u>\$3,164,486</u>	<u>\$3,747,440</u>	<u>\$527,952</u>

See accompanying notes to the basic financial statements

**Guernsey County, Ohio**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2002**

	<u>Business - Type Activities - Enterprise Funds</u>			Governmental
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	Activities- Internal Service Fund
<b>Increase (Decrease) in Cash and Cash Equivalents</b>				
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$183,344	\$1,589,907	\$1,773,251	\$0
Cash Received from Transactions with Other Funds	0	0	0	1,811,656
Cash Payments for Employee Services and Benefits	(43,133)	(385,597)	(428,730)	0
Cash Payments for Goods and Services	(85,286)	(542,729)	(628,015)	(224,396)
Cash Payments for Claims	0	0	0	(1,788,584)
Other Non-Operating Revenues	100	3,063	3,163	0
Other Operating Expenses	(3,065)	(45,365)	(48,430)	0
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>51,960</u>	<u>619,279</u>	<u>671,239</u>	<u>(201,324)</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers In	0	51,109	51,109	0
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>0</u>	<u>51,109</u>	<u>51,109</u>	<u>0</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Payments for Capital Acquisitions	(1,262)	(479,454)	(480,716)	0
Principal Paid on Debt	0	(116,786)	(116,786)	0
Interest and Fiscal Charges Paid on Debt	0	(93,279)	(93,279)	0
<i>Net Cash Used in Capital and Related Financing Activities</i>	<u>(1,262)</u>	<u>(689,519)</u>	<u>(690,781)</u>	<u>0</u>
<b>Cash Flows from Investing Activities</b>				
Interest Income	0	6,653	6,653	0
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	50,698	(12,478)	38,220	(201,324)
Cash and Cash Equivalents Beginning of Year	<u>118,596</u>	<u>763,258</u>	<u>881,854</u>	<u>1,053,901</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$169,294</u>	<u>\$750,780</u>	<u>\$920,074</u>	<u>\$852,577</u>

(Continued)

**Guernsey County, Ohio**  
**Statement of Cash Flows**  
**Proprietary Funds (Continued)**  
**For the Year Ended December 31, 2002**

	<u>Business - Type Activities - Enterprise Funds</u>			Governmental Activities- Internal Service Fund
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>				
Operating Income (Loss)	\$5,771	\$28,418	\$34,189	(\$193,549)
<b>Adjustments:</b>				
Other Non-Operating Revenues	100	366,956	367,056	0
Depreciation	19,106	189,411	208,517	0
<b>Changes in Assets and Liabilities:</b>				
(Increase) Decrease in Accounts Receivable	28,647	(33,847)	(5,200)	0
Increase in Due from Other Funds	0	(527)	(527)	0
Decrease in Prepaid Items	0	1,119	1,119	0
Increase in Accounts Payable	7,293	6,393	13,686	0
Increase in Accrued Wages and Benefits Payable	204	2,549	2,753	0
Increase in Compensated Absences Payable	242	8,453	8,695	0
Decrease in Claims Payable	0	0	0	(7,775)
Increase (Decrease) in Intergovernmental Payable	(9,403)	50,354	40,951	0
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>\$51,960</u>	<u>\$619,279</u>	<u>\$671,239</u>	<u>(\$201,324)</u>

See accompanying notes to the basic financial statements

**Guernsey County, Ohio**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**December 31, 2002**

	Erven Bequest Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$0	\$2,060,291
Cash and Cash Equivalents in Segregated Accounts	0	563,972
Investments in Segregated Accounts	92,172	48,375
Receivables:		
Property Taxes	0	21,443,922
Sales Tax	0	3,178
Accounts	0	671,292
Intergovernmental	0	2,447,342
	92,172	\$27,238,372
<i>Total Assets</i>	92,172	\$27,238,372
<b>Liabilities</b>		
Intergovernmental Payable	0	\$25,833,888
Deposits Held and Due to Others	0	617,802
Undistributed Monies	0	786,682
	0	786,682
<i>Total Liabilities</i>	0	\$27,238,372
<b>Net Assets</b>		
Held in Trust for Others	\$92,172	

See accompanying notes to the basic financial statements

**Guernsey County, Ohio**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Fund**  
**December 31, 2002**

	Erven Bequest Private Purpose Trust
<b>Additions</b>	
Interest	\$1,302
<b>Deductions</b>	
Human Services	1,268
<i>Change in Net Assets</i>	34
Net Assets Beginning of Year	92,138
<i>Net Assets End of Year</i>	\$92,172

See accompanying notes to the basic financial statements

**GUERNSEY INDUSTRIES  
GUERNSEY COUNTY**

**STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2002**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$65,163
Short-term Investments	41,045
Accounts Receivable	36,136
Inventory	8,101
Prepaid Expenses	<u>300</u>
 Total Current Assets	 <u>150,745</u>

**PROPERTY AND EQUIPMENT:**

Machinery and Equipment	100,768
Vehicles	<u>121,936</u>
	222,704
Less: Accumulated Depreciation	<u>(190,913)</u>
 Total Property and Equipment	 <u>31,791</u>

**TOTAL ASSETS**

**\$ 182,536**

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES:**

Accounts Payable	1,808
Deferred income	15,397
Accrued Expenses	<u>436</u>
 Total Current Liabilities	 17,641

**NET ASSETS - Unrestricted**

164,895

**TOTAL LIABILITIES AND NET ASSETS**

**\$182,536**

*See accompanying notes to the basic financial statements*

**GUERNSEY INDUSTRIES  
GUERNSEY COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

**UNRESTRICTED NET ASSETS REVENUE:**

Sales	\$272,123
Interest	2,122
Donations	2,736
Workers' Compensation Insurance Refund	21
In-Kind Contribution	38,131
	38,131
 Total Revenue	 315,133

**DIRECT MATERIALS AND SUPPLIES**

102,392

212,741

**OPERATING EXPENSES:**

Wages	84,064
Depreciation	15,044
Employee Welfare	3,629
160 Board expense	886
Insurance - general	7,084
- industrial	133
Utilities	1,652
Advertising	1,281
License and Fees	558
Professional Fees	7,935
Family Resource	37,819
Vehicle expense	656
Repairs - equipment	2,798
Dues and subscriptions	1,200
Office supplies and postage	507
Other Supplies	6,862
Payroll Taxes	6,335
Community Donations	838
In-Kind	38,131
	38,131
 Total Operating Expenses	 217,412

(Decrease) in Unrestricted Net Assets (4,671)

Net Assets, beginning of year 169,566

**Net Assets, end of year** **\$164,895**

*See accompanying notes to the basic financial statements*

**Guernsey County, Ohio**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2002**

	<u>Business - Type Activities - Enterprise Funds</u>			Governmental Activities- Internal Service Fund
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	
<b>Increase (Decrease) in Cash and Cash Equivalents</b>				
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$183,344	\$1,589,907	\$1,773,251	\$0
Cash Received from Transactions with Other Funds	0	0	0	1,811,656
Cash Payments for Employee Services and Benefits	(43,133)	(385,597)	(428,730)	0
Cash Payments for Goods and Services	(85,286)	(542,729)	(628,015)	(224,396)
Cash Payments for Claims	0	0	0	(1,788,584)
Other Non-Operating Revenues	100	3,063	3,163	0
Other Operating Expenses	(3,065)	(45,365)	(48,430)	0
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>51,960</u>	<u>619,279</u>	<u>671,239</u>	<u>(201,324)</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers In	0	51,109	51,109	0
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>0</u>	<u>51,109</u>	<u>51,109</u>	<u>0</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Payments for Capital Acquisitions	(1,262)	(479,454)	(480,716)	0
Principal Paid on Debt	0	(116,786)	(116,786)	0
Interest and Fiscal Charges Paid on Debt	0	(93,279)	(93,279)	0
<i>Net Cash Used in Capital and Related Financing Activities</i>	<u>(1,262)</u>	<u>(689,519)</u>	<u>(690,781)</u>	<u>0</u>
<b>Cash Flows from Investing Activities</b>				
Interest Income	0	6,653	6,653	0
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	50,698	(12,478)	38,220	(201,324)
Cash and Cash Equivalents Beginning of Year	<u>118,596</u>	<u>763,258</u>	<u>881,854</u>	<u>1,053,901</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$169,294</u>	<u>\$750,780</u>	<u>\$920,074</u>	<u>\$852,577</u>

(Continued)

**Guernsey County, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2002**

**NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION**

Guernsey County, Ohio (The County), was created in 1810. 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 County, including each of these departments.

Reporting Entity:

The County utilizes the standards of Governmental Accounting Standards Board Statement 14 for determining the reporting entity.

The reporting entity is comprised of the primary government, component unit and other organizations that are included to ensure that the financial statements of the County are not misleading.

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

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 program's governing board and (1) the County is able to significantly influence the programs of services performed or provided by the organization; or (2) the County is legally entitled to or can 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 for which the County approves the budget, the levying of taxes, or the issuance of debt.

The component unit column in the combined financial statements identifies the financial data of one of the County's component units, Guernsey County Port Authority. The second component unit of the County is Guernsey Industries, and stand alone statements are used to present its financial data. The component units are reported separately to emphasize that they are legally separate from the County. The component units note disclosures can be found in Notes 25 and 26 to the Basic Financial Statements.

**Guernsey County, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2002**

The Guernsey County Port Authority (GCPA) is a legally separate, not-for profit organization which is governed by a five member board. The GCPA was established by the Guernsey County Commissioners as a resource to continue and improve economic development throughout the county. The GCPA may adopt budgets, hire and fire employees, and issue revenue debt without the approval of the County. The GCPA received funding from Guernsey County to be used for administration and start up costs. The GCPA intends to seek state or federal grant funding to pursue various projects. Based upon the County's appointment of all GCPA board members, and the County's ongoing financial contributions to the GCPA, the Guernsey County Port Authority is presented as a component unit of Guernsey County. The GCPA operates on a fiscal year ending December 31. Separately issued financial statements can be obtained from the Guernsey County Port Authority, Cambridge, Ohio.

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

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

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

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

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

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

**Guernsey County, Ohio**  
**Notes to the Basic Financial Statements**  
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Guernsey County Law Library is operated by a non-profit association organized under State statute. State statutes require the County Commissioners to pay the salary of the Law Librarian and provide adequate, suitable facilities at County expense for the use as a county law library. The Board of County Commissioners is not involved in the selection of trustees or management of the Law Library. The County exercises no oversight responsibility. The County Auditor maintains the Law Library Agency Fund and collects monies paid by the courts for payment to the board of trustees of the Law Library.

The County is associated with certain organizations which are defined as Jointly Governed Organizations, Related Organizations, or Pools. These organizations are presented in Note 19, Note 20, and Note 21 to the Basic Financial Statements. The organizations are:

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The most significant of the County's accounting policies are described below.

*A. Basis of Presentation*

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

**Guernsey County, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2002**

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid “doubling up” revenues and expenses. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities. The statement of net assets presents the financial condition of the governmental and business-type activities of the County at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County’s governmental activities and for the business-type activities of the County. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues 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. Revenues which are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues 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. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

***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. There are three categories of funds: governmental, proprietary and fiduciary.

***Governmental Funds*** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the County's major governmental funds:

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

***Motor Vehicle and Gasoline Tax (MVGT) Fund*** To account for revenue derived from motor vehicle licenses, gasoline taxes, grants, and interest. Expenditures in this fund are restricted by State law to County road and bridge repair/improvements programs.

**Guernsey County, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2002**

***Childrens Services Fund*** To account for revenues derived from property taxes and state and federal funds. State law restricts the expenditure of these revenues to programs designed to aid homeless children or children from troubled families.

***Mental Retardation and Developmental Disabilities (MRDD) Fund*** To account for the operation of a school and the costs of administering a workshop for the mentally retarded and developmentally disabled residents of the County. Revenue sources are Federal and State grant monies and a county-wide property tax levy.

***Proprietary Funds*** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

***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 a description of the County's enterprise funds:

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

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

***Internal Service Fund*** Internal service funds account 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 Internal Service Fund is used to account for the operation of the County's self insurance program for employee health and dental benefits.

***Fiduciary Funds*** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the County's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The County's fiduciary funds are classified as a private-purpose trust fund and as agency funds. The private-purpose trust fund accounts for activity related to the Erven Bequest Trust. The agency funds account for assets held by the County as agent for the Board of Health and other districts and entities and for various taxes, assessments, and state shared resources collected on behalf of and distributed to other local governments.

**Guernsey County, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2002**

*C. Measurement Focus*

**Government-wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the County are included on the Statement of Net Assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

**Fund Financial Statements** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the County finances and meets the cash flow needs of its proprietary activities.

*D. Basis of Accounting*

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**Revenues - Exchange and Non-exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the County, available means expected to be received within sixty days of year-end.

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the year for which the taxes are levied. (See Note 7.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

**Guernsey County, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2002**

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: sales tax (see Note 8), federal and state grants and subsidies, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fees and rentals. Using this criteria, the County has elected to not record child support arrearages within the special revenue and agency fund types. This amount, while potentially significant, is not considered measurable, and because collection is often significantly in arrears, the County is unable to determine a reasonable value.

***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2002, but which were levied to finance year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

*E. 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 expenditures plus encumbrances at the level of control selected by the County Commissioners. The legal level of control has been established by County Commissioners at the fund, program, department, and object level.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the County Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts when the original appropriations were adopted. These appropriations were made before the end of the prior year and before the year end fund balances were known. This resulted in differences being reported for beginning of year fund balances for the original and final budgeted amounts. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during 2002.

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.

**Guernsey County, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2002**

*F. Cash, Cash Equivalents, and Investments*

Cash balances of the County's funds, except cash held by a trustee or fiscal agent or held in segregated accounts, are pooled and invested in short-term investments in order to provide improved cash management.

During 2002, investments were limited to STAR Ohio, United States Treasury Notes, Federal Home Loan Mortgage Corporation REMICS, Federal Agency Securities, County Bonds and Certificates of Deposit.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such nonnegotiable certificates of deposit are reported at cost.

The County has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during 2002. 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 with is the price the investment could be sold for on December 31, 2002.

Under existing Ohio statutes, all investment earnings accrue to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during 2002 amounted to \$804,501, which includes \$610,214 assigned from other funds.

The County has segregated bank accounts for monies held separate from the County's central bank account. These interest bearing depository accounts are presented in the Combined Balance Sheet as "Cash and Cash Equivalents in Segregated Accounts" since they are not required to be deposited into the County treasury.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the County are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

*G. Inventory*

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used.

*H. Prepaid Items*

Payments made to vendors for services that will benefit periods beyond December 31, 2002, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

*I. Capital Assets*

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the enterprise funds are reported both in the business-type activities column of the government-wide statement of net assets and in the funds.

**Guernsey County, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2002**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The County maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated except for land and construction in process. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the County's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities <u>Estimated Lives</u>	Business Type Activities <u>Estimated Lives</u>
Buildings and Improvements	50 Years	50 Years
Furniture and Fixtures	3-20 Years	3-20 Years
Machinery and Equipment	3-20 Years	3-20 Years
Infrastructure	10-50 Years	40 Years
Vehicles	5 Years	5 Years

*J. Interfund Balances*

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances. During 2002, \$66,840 represented a residual equity transfer from the Bond Retirement Debt Service Fund to County Facilities Construction and Improvement Capital Projects Fund. This amount represented the remaining unused amount from a debt issuance that was fully retired during 2001.

*K. Compensated Absences*

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the County will compensate the employees for the benefits through paid time off or some other means. The County records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the County has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year end taking into consideration any limits specified in the County's termination policy. The County records a liability for sick leave for employees from two to thirteen years of service depending on the departmental policy.

The entire compensated absences liability is reported on the government-wide financial statements.

**Guernsey County, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2002**

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For enterprise funds, the entire amount of compensated absences is reported as a fund liability.

*L. Accrued Liabilities and Long-Term Obligations*

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported in the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term notes and loans are recognized as a liability in the governmental fund financial statements when due.

*M. Fund Balance Reserves*

The County reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available, spendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances and claimants. Under Ohio law, unclaimed monies are not available for appropriation until they have remained unclaimed for five years.

*N. Net Assets*

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, 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 assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The restrictions for other purposes are primarily for net assets of the Mental Retardation and Developmental Disabilities, Motor Vehicle and Gasoline Tax and Childrens Services special revenue funds.

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

*O. Operating Revenues and Expenses*

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are charges for services for wastewater treatment, sale of water, and self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

**Guernsey County, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2002**

*P. Capital Contributions*

Contributions of capital arise from outside contributions of fixed assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

*Q. Interfund Activity*

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

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

*R. Estimates*

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 3 - RESTATEMENT OF PRIOR YEAR FUND EQUITY**

**Changes in Accounting Principles** For the year ended December 31, 2002, the County has implemented GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus," GASB No. 38, "Certain Financial Statement Note Disclosures," and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements." At December 31, 2001, there was no effect on fund balances as a result of implementing GASB Statements 37 and 38.

**Restatement of Fund Balances** There were restatements of fund equity for corrections of prior year accrual balances, the allocation of agency fund cash associated with County activities, and the increase of the capital asset threshold to five thousand dollars. These restatements and the implementation of Interpretation No. 6 had the following effect on fund balance of the major and nonmajor funds of the County as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

**Guernsey County, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2002**

	General	Public Assistance	MVGT	Childrens Services
Fund Balances				
December 31, 2001	\$4,886,394	(\$244,783)	\$1,077,834	\$1,930,488
Interpretation 6:				
Compensated Absences	12,498	9,171	9,189	3,086
Restated Assets	(22,146)	0	0	0
Restated Liabilities	(115,712)	0	0	0
Agency Fund				
Cash Allocation	(86,547)	(80,046)	(39,890)	(21,587)
Restated Fund Balances				
December 31, 2001	<u>\$4,674,487</u>	<u>(\$315,658)</u>	<u>\$1,047,133</u>	<u>\$1,911,987</u>

(Continued)

**Guernsey County, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2002**

(Continued)

	MRDD	Nonmajor Funds	Totals
Fund Balances			
December 31, 2001	\$3,243,124	\$2,597,303	\$13,490,360
Interpretation 6:			
Compensated Absences	5,612	3,327	42,883
Restated Assets	0	0	(22,146)
Restated Liabilities	0	0	(115,712)
Agency Fund			
Cash Allocation	(19,247)	(33,431)	(280,748)
Restated Fund Balances			
December 31, 2001	<u>\$3,229,489</u>	<u>\$2,567,199</u>	<u>\$13,114,637</u>
GASB 34 Adjustments:			
Capital Assets			74,943,553
Internal Service Fund			721,501
Long-Term Liabilities			(6,713,419)
Accrued Interest Payable			(34,066)
Deferred Revenue			4,292,182
Compensated Absences			<u>(1,238,921)</u>
Governmental Activities Net Assets, December 31, 2001			<u>\$85,085,467</u>

The transition from proprietary fund equity to net assets of the business - type activities is as follows:

	Sewer	Water	Totals
Fund Equity, December 31, 2001	\$610,889	\$2,841,313	\$3,452,202
Restated Receivables	29,837	4,711	34,548
Agency Fund Cash Allocation	(1,373)	(11,198)	(12,571)
Restated Interfund Payable	0	22,146	22,146
Restated Accrued Interest Payable	0	(24,647)	(24,647)
Adjustments to Prior Period Depreciation	391,463	(309,617)	81,846
Capital Asset Threshold Restatements, Net	(453,733)	304,916	(148,817)
Business Type Activities			
Net Assets December 31, 2001	<u>\$577,083</u>	<u>\$2,827,624</u>	<u>\$3,404,707</u>

**Guernsey County, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2002**

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the general and major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance.
4. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Unrecorded cash and unrecorded interest are reported on the balance sheet (GAAP basis), but not on the budgetary basis. The reconciled difference is reflected in the following tables as unrecorded cash.
6. 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 (GAAP basis) in the appropriate County fund.

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

**Guernsey County, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2002**

Net Change in Fund Balances  
General and Major Special Revenue Funds

	Public			Childrens	
	General	Assistance	MVGT	Services	MRDD
GAAP Basis	\$73,982	\$117,213	(\$26,582)	(\$372,418)	\$1,090,390
Net Adjustment for Revenue					
Accruals	(424,461)	(686,090)	(1,146,897)	691,403	23,214
Beginning of Year:					
Agency Fund Cash Allocation	86,547	80,046	39,890	0	19,247
Unrecorded Cash	387	0	275	13,151	39,453
Prepaid Items	72,125	281	0	133	13,590
End of Year:					
Agency Fund Cash Allocation	(18,477)	0	0	(14,213)	(42,638)
Unrecorded Cash	(47,642)	0	(979)	0	(7,898)
GASB 31 Adjustment	(137,716)	0	0	0	0
Prepaid Items	(71,070)	(488)	0	(133)	(79,312)
Net Adjustment for					
Expenditure Accruals	126,303	720,569	1,189,116	17,406	51,447
Encumbrances	(103,396)	0	0	0	0
Budget Basis	<u>(\$443,418)</u>	<u>\$231,531</u>	<u>\$54,823</u>	<u>\$335,329</u>	<u>\$1,107,493</u>

**NOTE 5 – ACCOUNTABILITY AND COMPLIANCE**

A. Accountability

The following funds had a deficit fund balance as of December 31, 2002:

	<u>Deficit Fund Balances</u>
<u>Special Revenue Funds:</u>	
Public Assistance	\$198,445
Child Placement Services	33,283
Opportunity Center	601

The deficit fund balance in the Public Assistance, Child Placement Services and Opportunity Center special revenue funds is largely the result of the recognition of liabilities in accordance with generally accepted accounting principles. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Legal Compliance

The following account had expenditures plus encumbrances in excess of appropriations contrary to section 5705.41, Revised Code:

**Guernsey County, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2002**

	<u>Excess</u>
Motor Vehicle and Gasoline Tax Special Revenue Fund	
Public Works	
Contractual Services	\$1,009,452

**NOTE 6 - DEPOSITS AND INVESTMENTS**

Moneys held by the County are classified by State statute into two categories. Active moneys are public moneys determined to be necessary to meet current demands upon the County treasury. Active moneys 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.

Moneys held by the County which are not considered active are classified as inactive and can be deposited or invested in the following securities:

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;
2. Bonds, notes, debentures, or any other obligation or security 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 government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and 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 division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;

**Guernsey County, Ohio**  
**Notes to the Basic Financial Statements**  
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9. High grade commercial paper in an amount not to exceed 5 percent of the County's total average portfolio; and
10. Bankers acceptances for a period not to exceed two hundred seventy days and in an amount not to exceed 10 percent of the County's total average portfolio.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity.

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

Cash on Hand At year-end, the County had \$505,472 in undeposited cash on hand which is included on the Balance Sheet of the County as part of "Cash and Cash Equivalents".

Deposits At year-end, the carrying amount of the County's deposits was \$4,706,917 and the bank balance was \$6,703,220. Of the bank balance:

1. \$1,023,773 was covered by federal deposit insurance,
2. \$5,679,447 was considered uninsured and uncollateralized even though securities for collateral were held by the pledging financial institutions' trust department in the County's name and all State statutory requirements for the deposit of money had been followed. Non-compliance with federal requirements would potentially subject the County to a successful claim by the FDIC.

Investments GASB Statement No. 3 entitled "Deposits With Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements" requires the County investments to be categorized to give an indication of the level of risk assumed by the County at year end. Category 1 includes investments that are insured or registered for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the County's name.

**Guernsey County, Ohio**  
**Notes to the Basic Financial Statements**  
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	Category 1	Category 3	Carrying/ Fair Value
County Bond	\$57,492	\$0	\$57,492
STAR Ohio	0	0	3,663,497
U.S. Treasury Notes	0	255,158	255,158
Federal Home Loan Bank Bonds	0	5,020,427	5,020,427
Federal Home Loan Bank Consolidated Bonds	0	250,653	250,653
Federal Home Loan Mortgage Corporation Notes	0	1,999,926	1,999,926
Federal Home Loan Mortgage Corporation REMICS	0	9,311	9,311
Federal National Mortgage Association	0	2,049,453	2,049,453
Federal Farm Credit Bank	0	261,872	261,872
Money Market Mutual Funds	0	0	201,010
<b>Total</b>	<b>\$57,492</b>	<b>\$9,846,800</b>	<b>\$13,768,799</b>

Investments in STAROhio and money market mutual funds are not categorized by risk because they are not evidenced by securities that exist in physical or book entry form.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9 entitled "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting"

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$18,753,812	\$227,376
Undeposited Cash	(505,472)	0
Investments:		
County Bond	(57,492)	57,492
United States Treasury Notes	(255,158)	255,158
Certificates of Deposit	227,376	(227,376)
STAROhio	(3,663,497)	3,663,497
Federal Home Loan Bank Bonds	(5,020,427)	5,020,427
Federal Home Loan Bank Consolidated Bonds	(250,653)	250,653
Federal Home Loan Mortgage Corporation Notes	(1,999,926)	1,999,926
Federal Home Loan Mortgage Corporation REMICS	(9,311)	9,311
Federal National Mortgage Association	(2,049,453)	2,049,453
Federal Farm Credit Bank	(261,872)	261,872
Money Market Mutual Fund	(201,010)	201,010
<b>GASB Statement 3</b>	<b>\$4,706,917</b>	<b>\$13,768,799</b>

**Guernsey County, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2002**

**NOTE 7 - PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the County. Property tax revenue received during 2002 for real and public utility property taxes represents collections of 2001 taxes. Property tax payments received during 2002 for tangible personal property (other than public utility property) is for 2002 taxes.

2002 real property taxes are levied after October 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by the State Law at 35 percent of appraised market value. 2002 real property taxes are collected in and intended to finance 2003.

Public utility tangible personal property currently is assessed at varying percentages of true collected value; public utility real property is assessed at 35 percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after October 1, 2002, and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after October 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are 25 percent of true value, and 24 percent for inventory.

The full tax rate for all County operations for the year ended December 31, 2002, was 12.70 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2002 property tax receipts were based are as follows:

Real Property	\$362,730,620
Public Utility Personal Property	40,993,430
Tangible Personal Property	90,615,910
Total Assessed Property Value	\$494,339,960

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 September 20.

The County treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2002 and for which there is an enforceable legal claim. In the general fund, mental health fund, court corrections/public safety fund, tuberculosis/crippled child levy fund, children services fund, mental retardation and developmental disabilities fund, jail operating fund and debt service fund, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2002 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

**Guernsey County, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2002**

**NOTE 8 - 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. The County Commissioners have renewed the one-half of one percent Permissive Sales Tax for the eighth consecutive year on February 11, 2002. This sales tax came into effect on April 1, 2002, and expires on March 31, 2003.

The revenues generated from the sales tax are used for the purpose of providing additional revenue for the County's General Fund and General Bond Retirement Fund.

Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County. Amounts that have been collected by the State and are to be received within the available period are accrued as revenue. Sales and use tax revenue for 2002 amounted to \$5,303,637.

**NOTE 9 - RECEIVABLES**

Receivables at December 31, 2002, consisted of taxes, interest, special assessments, accounts (billings for user charged services, including unbilled utility services), and intergovernmental receivables arising from grants, entitlements and shared revenues. Management believes all receivables are fully collectible within one year. Delinquent accounts receivable may be certified and collected as a special assessment, subject to foreclosure for nonpayment.

A summary of the principal items of intergovernmental receivables follows:

**Guernsey County, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2002**

**Governmental Activities**

Indigent Fee Reimbursement	\$77,790
Homestead/Rollback Reimbursement	246,888
Local Government Funding	583,231
Motor Vehicle License and Gas Tax	1,546,273
Miscellaneous Local Fund Grants	9,130
Permissive Sales Tax	10,025
Estate Tax Administration Reimbursement	8,521
Corrections Fund Grants	33,324
Public Assistance Over/Under Advance	57,844
Victims of Criminal Assistance Grant	21,433
Children Services Over/Under Advance	274,543
CDBG Fund Grants	309,959
Emergency Management Agency Fund Grants	34,375
MRDD CAFS	202,077
MRDD Fund Grants	66,934
Family and Children First	35,238
Miscellaneous Reimbursements	50,897
Total	<u><u>\$3,568,482</u></u>

Using this criteria, the County has elected not to record child support arrearages within the Other Governmental Funds and Agency Funds. These amounts, while potentially significant, are not considered measurable, and because collections are often significantly in arrears, the County is unable to determine a reasonable value.

**NOTE 10 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2002, was as follows:

**Guernsey County, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2002**

	Restated Balance 12/31/2001	Additions	Reductions	Balance 12/31/2002
<b><u>Governmental Activities:</u></b>				
Non Depreciable Capital Assets:				
Land	\$623,654	\$142,600	\$0	\$766,254
Infrastructure	20,668,871	0	0	20,668,871
Construction in Progress	0	595,704	0	595,704
Total Non Depreciable Capital Assets	<u>21,292,525</u>	<u>738,304</u>	<u>0</u>	<u>22,030,829</u>
Depreciable Capital Assets:				
Buildings	14,543,215	492,450	(6,000)	15,029,665
Improvements Other than Buildings	4,330,505	53,501	0	4,384,006
Furniture and Fixtures	164,415	0	0	164,415
Machinery and Equipment	2,495,308	88,271	0	2,583,579
Vehicles	2,543,696	240,375	(24,820)	2,759,251
Underground Pipelines	1,141,691	0	0	1,141,691
Infrastructure	81,379,698	2,346,157	(116,590)	83,609,265
Total Depreciable Capital Assets	<u>106,598,528</u>	<u>3,220,754</u>	<u>(147,410)</u>	<u>109,671,872</u>
Accumulated Depreciation:				
Buildings and Improvements	(3,534,230)	(284,061)	2,751	(3,815,540)
Improvements Other than Buildings	(1,314,836)	(122,748)	0	(1,437,584)
Furniture and Fixtures	(111,156)	(5,940)	0	(117,096)
Machinery and Equipment	(1,297,748)	(206,136)	0	(1,503,884)
Vehicles	(1,716,793)	(286,193)	3,561	(1,999,425)
Underground Pipelines	(209,546)	(28,542)	0	(238,088)
Infrastructure	(44,763,191)	(5,469,266)	92,439	(50,140,018)
Total Accumulated Depreciation	<u>(52,947,500) *</u>	<u>(6,402,886)</u>	<u>98,751</u>	<u>(59,251,635)</u>
Total Depreciable Capital Assets, Net	<u>53,651,028</u>	<u>(3,182,132)</u>	<u>(48,659)</u>	<u>50,420,237</u>
Governmental Capital Assets, Net	<u>\$74,943,553</u>	<u>(\$2,443,828)</u>	<u>(\$48,659)</u>	<u>\$72,451,066</u>

\*Depreciation expense was charged to governmental activities as follows:

<b><u>Governmental Activities:</u></b>	
General Government:	
Legislative and Executive	\$384,029
Judicial	11,457
Public Safety	93,621
Public Works	5,702,107
Health	137,842
Human Services	73,830
Total Depreciation Expense	<u>\$6,402,886</u>

**Guernsey County, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2002**

	Restated Balance 12/31/2001	Additions	Reductions	Balance 12/31/2002
<b>Business-Type Activities</b>				
Non Depreciable Capital Assets:				
Land	\$20,176	\$0	\$0	\$20,176
Construction in Progress	0	1,262	0	1,262
Total Non Depreciable Capital Assets	<u>20,176</u>	<u>1,262</u>	<u>0</u>	<u>21,438</u>
Depreciable Capital Assets:				
Buildings	731,385	0	0	731,385
Improvements Other than Buildings	683,466	0	0	683,466
Machinery and Equipment	112,704	0	0	112,704
Vehicles	312,006	49,819	(57,658)	304,167
Underground Pipelines	4,529,356	429,635	0	4,958,991
Total Depreciable Capital Assets	<u>6,368,917</u>	<u>479,454</u>	<u>(57,658)</u>	<u>6,790,713</u>
Accumulated Depreciation:				
Buildings and Improvements	(250,489)	(17,324)	0	(267,813)
Improvements Other than Buildings	(420,116)	(17,390)	0	(437,506)
Machinery and Equipment	(55,848)	(7,467)	0	(63,315)
Vehicles	(157,470)	(47,271)	34,287	(170,454)
Underground Pipelines	(1,806,073)	(119,065)	0	(1,925,138)
Total Accumulated Depreciation	<u>(2,689,996)</u>	<u>(208,517)</u>	<u>34,287</u>	<u>(2,864,226)</u>
Total Depreciable Capital Assets, Net	<u>3,678,921</u>	<u>270,937</u>	<u>(23,371)</u>	<u>3,926,487</u>
Business-Type Capital Assets, Net	<u>\$3,699,097</u>	<u>\$272,199</u>	<u>(\$23,371)</u>	<u>\$3,947,925</u>

**NOTE 11 - 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) (a shared pool, see Note 21) 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 forty-one 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. Property damage is on a replacement cost basis for buildings and contents and electronic data processing equipment.

**Guernsey County, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2002**

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, \$100,000 for motortruck cargo, \$100,000,000 for flood and earthquake damage, and \$3,000,000 for automatic acquisition. Contractor's equipment, miscellaneous inland marine, and auto physical damage are insured for their actual cash value under CORSA.

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

With the exception of workers' compensation, health, dental, vision, and life insurances, all other insurance is held with CORSA. The County pays all elected officials bonds by statute.

The County contracts with Medical Benefits to provide employees with medical 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. The stop loss per individual during 2002 was \$100,000 and the aggregate was \$2,442,650.

The claims liability of \$324,625 reported in the Health Insurance Internal Service Fund at December 31, 2002, are based on the requirements of Governmental Accounting Standards Board Statement Number 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The claims liability is based on an estimate calculated by Medical Benefits Administrators, Inc. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustments expenses. A summary of the fund's claims liability during the past two years is as follows:

	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2001	\$218,400	\$1,411,531	\$1,297,531	\$332,400
2002	332,400	1,780,809	1,788,584	324,625

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

*A. Public Employees Retirement System:*

All County full-time employees, other than teachers with the Board of Mentally Retarded/Developmentally Disabled participate in the Ohio Public Employees Retirement System ("OPERS"), a cost-sharing multiple employer public employee retirement system administered by the Ohio Public Employees Retirement Board. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

**Guernsey County, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2002**

Plan members, other than those engaged in law enforcement, are required to contribute 8.5 percent of their annual covered salary to fund pension obligations; law enforcement employees contribute 10.1 percent. For plan members, other than those engaged in law enforcement, the County was required to contribute 13.55 percent of covered salary for 2002, an increase from 9.25 percent for 2001. The PERS law enforcement program was separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The County contribution for law enforcement employees for 2002 was 16.7 percent, up from 12.4 percent for 2001 for both the law enforcement and public safety divisions. Contributions are authorized by State statute. The contribution rates are determined actuarially. The County's contributions to OPERS for the years ended December 31, 2002, 2001, and 2000 were \$1,406,402, \$1,291,892, and \$853,835, respectively; approximately 98.48 percent has been contributed for 2002 and 100 percent has been contributed for 2001 and 2000. The unpaid contribution for 2002 is recorded as a liability in the respective funds.

*B. State Teachers Retirement System (STRS):*

Certified teachers employed by the school for the Board of Mental Retardation and Developmental Disabilities, participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

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% 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. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. 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.

Plan members were required to contribute 9.3 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For 2001, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The County's contributions to STRS for the years ended December 31, 2002, 2001, and 2000 were \$25,874, \$31,518, and \$20,436, respectively; approximately 96.94 percent has been contributed for 2002 and 100 percent has been contributed for 2001 and 2000.

**Guernsey County, Ohio**  
**Notes to the Basic Financial Statements**  
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**NOTE 13 - POST-EMPLOYMENT BENEFITS - PERS and STRS**

*A. Public Employees Retirement System (PERS):*

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2002 employer contribution rate was 13.55 percent of covered payroll for employees not engaged in law enforcement; 5.0 percent was the portion that was used to fund health care. The employer contribution rate for law enforcement employees for 2002 was 16.7 percent; 5.0 percent was used to fund health care for both the law enforcement and public safety divisions.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2001, include a rate return on investments of 8.0 percent, an annual increase in active employee total payroll of 4.0 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.0 percent annually. All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

The number of active contribution participants was 402,041. The County's actual contributions for 2002 which were used to fund postemployment benefits were \$780,952. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2001, (the latest information available) were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$16.4 billion and \$4.8 billion, respectively.

For 2001, House Bill 416 divided the OPERS law enforcement program into two separate divisions with separate employee contribution rates and benefits. The law enforcement classification consisted of sheriffs, deputy sheriffs and township police with an employee contribution rate of 10.1 percent. All other members of the OPERS law enforcement program were placed in a newly named public safety division and continue to contribute 9.0 percent. The employer contribution rate for both the law enforcement and public safety divisions is 16.70 percent.

*B. State Teachers Retirement System (STRS):*

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS). Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS.

**Guernsey County, Ohio**  
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Benefits are funded on a pay-as-you-go basis. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the County, this amount equaled \$12,256 for 2002.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund at June 30, 2002 (the latest information available), was \$3.011 billion. For the fiscal year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and there were 105,300 eligible benefit recipients.

**NOTE 14 - OTHER EMPLOYEE BENEFITS**

*A. Deferred Compensation Plans*

County employees and elected officials may participate in either of two state wide deferred compensation plans created in accordance with Internal Revenue Code Section 457; one offered by the State of Ohio and one by the County Commissioners Association of Ohio (CCAO); see Note 21. Assets of the plans are held in trust for the exclusive benefit of the participants and beneficiaries. The County has no fiduciary accountability for these plans. Participation is on a voluntary payroll deduction basis. Each plan permits deferral of compensation until future years. According to the plans, the deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergencies.

*B. Compensated Absences*

County employees earn vacation and sick leave at varying rates depending on length of service and department policy. All accumulated, unused vacation time is paid upon separation if the employee has acquired at least one year of service with the County. Accumulated, unused sick leave and compensatory time is paid upon retirement at varying rates depending on length of service and department policy.

*C. Medical, Vision, Dental and Life Benefits*

On October 1, 2002, the County contracted with Central Benefits to provide employees with medical and dental insurance through a self-insured program. The County maintains a self-insurance internal service fund to account for and finance its uninsured risks of loss in these programs. The third party administrator, Central Benefits, reviews and pays the claims. The County and employees share the cost of these premiums for the health insurance. The County pays 100 percent of the dental insurance for engineer employees and the remaining County employees share the cost of their coverage.

On October 1, 2002 the County contracted with Vision Service Plant to provide employees with vision insurance. The County and employees share in the cost of this coverage.

Also, on October 1, 2002, the County Commissioners contracted to provide life insurance for two years with Central Benefits which is also accounted for in the County's self-insurance internal service fund. All County employees are eligible to receive life insurance coverage up to a maximum of \$20,000 with the exception of the sheriff's department who are eligible for up to a maximum of \$50,000.

Employees of the Children's Services department do not participate in the County's self-insurance program. They are provided with life and health insurance through United Health Care of Ohio. The monthly premiums for these coverages are based on sex, age, marital status, and number of dependents. Both the County and the employees share the cost of the premiums.

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Employees of the Board of Mental Retardation and Developmental Disabilities do not participate in the County's self-insurance program. They are provided with life, health, dental and vision insurance through Medical Benefits. The Board and employees share in the cost of these plans.

**NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE**

In prior years, the County has entered into capitalized leases for copying and office equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the basic financial statements for the governmental funds.

Equipment acquired by lease has been capitalized in government wide statements governmental activities in the amount of \$223,771, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the statement of net assets. Principal payments towards capital leases during 2002 totaled \$43,712.

Future minimum lease payments through 2006 are as follows:

Year	Governmental Activities	
	Principal	Interest
2003	\$46,134	\$9,782
2004	50,503	5,960
2005	38,750	2,269
2006	12,073	396
Total	\$147,460	\$18,407

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**NOTE 16 - CONSTRUCTION COMMITMENTS**

As of December 31, 2002, the County had the following contractual purchase commitments:

Project	Fund	Purchase Commitment	Amounts Paid as of 12/31/2002	Amounts Remaining on Contracts
Buffalo/Derwent Sewer Project	Sewer	\$507,100	\$341,175	\$165,925
County Administration Building	County Facilities Construction and Improvement	2,792,525	253,713	2,538,812
County Sexiennial Revaluation	Real Estate Assessment	429,800	0	429,800
2000-2002 New Construction Total	Real Estate Assessment	<u>114,000</u>	<u>0</u>	<u>114,000</u>
		<u>\$3,843,425</u>	<u>\$594,888</u>	<u>\$3,248,537</u>

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**NOTE 17 - LONG-TERM LIABILITIES**

Changes in the County's long-term liabilities during 2002 consist of the following:

	Outstanding 12/31/2001	Additions	Reductions	Outstanding 12/31/2002	Amounts Due Within One Year
<b><u>Governmental Activities:</u></b>					
<i>Special Assessment Bonds:</i>					
Rolling Hills Paving - 1988, \$202,900, 6.375%	\$100,400	\$0	\$11,800	\$88,600	\$12,600
Rolling Hills Paving II - 1988, \$76,100, 6.375%	32,392	0	4,400	27,992	4,700
Northgate Sewer - 1988, \$178,900, 7.25%	54,000	0	9,000	45,000	9,000
Stop Nine Sanitary Sewer - 1993, \$559,200, 5%	54,800	0	800	54,000	700
Sundew and Zane Waterline - 1996, \$84,000, 4.95%	74,260	0	3,256	71,004	3,418
Cedar Hills Sewer - 1996, \$171,785, 4.95%	140,755	0	7,215	133,540	7,572
Eastmoor Sanitary Sewer - 1998, \$186,000, 4.5%	167,800	0	6,700	161,100	7,100
Wolf's Den Road Waterline - 2000, \$63,880, 6%	60,686	0	3,194	57,492	3,194
<i>Total Special Assessment Bonds</i>	<u>685,093</u>	<u>0</u>	<u>46,365</u>	<u>638,728</u>	<u>48,284</u>
<i>General Obligation Bonds:</i>					
Rolling Hills Paving II - 1998, \$5,108, 6.375%	5,108	0	0	5,108	0
Public Improvement - 1992, \$7,965,000 Various Interest Rate	5,110,000	0	420,000	4,690,000	450,000
Public Improvement - 1996, \$124,959, 4.95%	108,286	0	3,352	104,934	2,280
<i>Total General Obligation Bonds</i>	<u>5,223,394</u>	<u>0</u>	<u>423,352</u>	<u>4,800,042</u>	<u>452,280</u>
<b><i>Long Term Notes Payable</i></b>					
Various Purpose Note, Series 2002, \$1,545,000, 2.08%	0	1,545,000	0	1,545,000	1,545,000
Garage Construction Note - 2001, \$455,000, 3.86%	455,000	0	455,000	0	0
Various Purpose Note, Series 2002, \$455,000, 2.08%	0	455,000	0	455,000	455,000
<i>Total Long Term Notes Payable</i>	<u>455,000</u>	<u>2,000,000</u>	<u>455,000</u>	<u>2,000,000</u>	<u>2,000,000</u>
<b><i>OPWC Notes:</i></b>					
OPWC Promissory Note - 1995, \$25,817, 0%	7,745	0	2,582	5,163	2,582
OPWC Promissory Note - 1999, \$30,670, 0%	21,469	0	3,067	18,402	3,067
OPWC Promissory Note - 1993, \$56,801, 0%	5,680	0	5,680	0	0
OPWC Promissory Note - 1993, \$70,870, 0%	30,373	0	10,124	20,249	10,124
OPWC Promissory Note - 2000, \$60,200, 0%	48,160	0	6,020	42,140	6,020
OPWC Promissory Note - 2001, \$55,043, 0%	44,033	0	11,009	33,024	11,009
<i>Total OPWC Notes</i>	<u>157,460</u>	<u>0</u>	<u>38,482</u>	<u>118,978</u>	<u>32,802</u>
Capital Leases	192,472	0	45,012	147,460	46,134
Compensated Absences	1,238,921	682,818	635,833	1,285,906	591,517
<b>Total Governmental Activities</b>	<u>\$7,952,340</u>	<u>\$2,682,818</u>	<u>\$1,644,044</u>	<u>\$8,991,114</u>	<u>\$3,171,017</u>

(continued)

**Guernsey County, Ohio**  
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(continued)

	Outstanding 12/31/2001	Additions	Reductions	Outstanding 12/31/2002	Amounts Due Within One Year
<b><u>Business Type Activities:</u></b>					
<b><u>General Obligation Bonds</u></b>					
Kimbolton Waterline - 1992, \$142,000, 5.75%	\$120,600	\$0	\$7,100	\$113,500	\$1,700
North Salem Waterline - 1994, \$450,000, 5%	399,900	0	15,900	384,000	6,200
County Water Building, - 1996, \$110,000, 4.95%	61,700	0	11,177	50,523	11,731
<i>Total General Obligation Bonds</i>	<u>582,200</u>	<u>0</u>	<u>34,177</u>	<u>548,023</u>	<u>19,631</u>
Water Fund OWDA - 1989,\$1,444,319, 7.89%	802,234	0	82,609	719,625	73,627
Compensated Absences	44,104	23,413	14,718	52,799	24,288
<b>Total Business Type Activities</b>	<u>\$1,428,538</u>	<u>\$23,413</u>	<u>\$131,504</u>	<u>\$1,320,447</u>	<u>\$117,546</u>

**Governmental Activities:**

***Special Assessment Bonds*** – As of December 31, 2002, the County has \$638,728 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, 2002 are as follows:

Year Ending December 31	Principal	Interest
2003	\$48,284	\$30,949
2004	50,227	28,752
2005	52,298	26,446
2006	54,798	24,017
2007	57,026	21,455
2008-2012	165,400	73,884
2013-2017	149,713	33,677
2018-2022	32,082	10,030
2023-2027	11,300	6,130
2028-2032	14,300	3,045
2033	3,300	165
Totals	<u>\$638,728</u>	<u>\$258,550</u>

**Guernsey County, Ohio**  
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**General Obligation Bonds** – As of December 31, 2002, the County has \$4,800,042 in general obligation bonded debt outstanding that is being retired by the Bond Retirement Debt Service Fund from rental income from the Department of Job and Family Services, and from sales and use tax revenues. The bonds were originally issued for various county public improvements and paving projects.

Principal and interest requirements to retire the general obligation bonds outstanding at December 31, 2002 are as follows:

Year Ending December 31	Principal	Interest
2003	\$452,280	\$287,153
2004	471,156	261,614
2005	509,975	234,533
2006	533,737	204,790
2007	561,668	173,382
2008-2012	2,227,870	354,824
2013-2017	43,356	5,954
Totals	\$4,800,042	\$1,522,250

**Long-Term Notes Payable** – As of December 31, 2002, the County has \$2,000,000 in long-term notes payable outstanding. These are bond anticipation notes and are backed by the full faith and credit of the County. The notes will be retired from the issuance of bonds. The notes mature on February 19, 2003 along with interest payable at 2.08% of the principal amount. These notes will be repaid from the Motor Vehicle and Gasoline Tax Special Revenue Fund and General Fund.

**OPWC Notes** – As of December 31, 2002, the County has \$118,978 in Ohio Public Works Commission Promissory Notes outstanding. These notes were issued for bridge replacement and various road paving projects within the County and will be repaid from the Motor Vehicle and Gasoline Tax Special Revenue Fund.

Principal requirements to retire the OPWC notes outstanding at December 31, 2002 are as follows:

Year Ending December 31	Principal
2003	\$32,802
2004	32,802
2005	20,094
2006	9,087
2007	9,087
2008-2012	15,106
Totals	\$118,978

**Guernsey County, Ohio**  
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**Capital Leases** – The County has issued capital leases for copying and office equipment. These leases will be repaid through the General Fund, Mental Retardations and Developmental Disabilities and Miscellaneous Local Funds Special Revenue Funds.

**Compensated Absences** – The County will pay compensated absences from the General Fund, Miscellaneous Local, Emergency Management, County Home, Motor Vehicle and Gasoline Tax, Public Assistance, Child Support Enforcement Agency, Mental Retardation and Developmental Disabilities and Childrens Services Special Revenue Funds.

**Business - Type Activities:**

**General Obligation Bonds** – As of December 31, 2002, the County has \$548,023 in general obligation bonded debt outstanding. The bonds were issued to construct lines and a building association with the County water system. These bonds will be repaid by the Water Enterprise Fund 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, 2002 are as follows:

Year Ending December 31	Principal	Interest
2003	\$19,631	\$28,227
2004	20,611	27,239
2005	21,721	26,201
2006	22,760	25,107
2007	9,700	23,961
2008-2012	56,700	111,730
2013-2017	72,800	95,491
2018-2022	93,800	74,583
2023-2027	120,500	47,687
2028-2032	109,800	13,634
Totals	\$548,023	\$473,860

**OWDA Loan** – The County has issued an OWDA Loan for a water project. This loan will be repaid by the Water Enterprise Fund from revenues derived by the County from the operation of the water system.

Principal requirements to retire the OWDA loan outstanding at December 31, 2002 are as follows:

Year Ending December 31	Principal	Interest
2003	\$89,127	\$56,779
2004	96,158	49,746
2005	103,744	42,159
2006	111,931	33,974
2007	120,763	25,143
2008-2009	197,902	20,956
Totals	\$719,625	\$228,757

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**Compensated Absences** – The County will pay compensated absences from the Sewer and Water Enterprise Funds.

**Debt Margins:**

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

The effects of the debt limitations described above at December 31, 2002 are a margin on unvoted debt of \$143,358, and an overall debt margin of \$6,058,457.

**NOTE 18 - INTERNAL BALANCES**

Interfund balances at December 31, 2002 consist of the following individual interfund receivables and payables:

	Interfund Receivable				
	Major Funds				
		Public	Childrens	Water	
<u>Interfund Payable</u>	General	Assistance	Services	Enterprise	Total
Major Funds:					
Public Assistance	\$46,235	\$0	\$79,673	\$0	\$125,908
MRDD	0	3,318	0	0	3,318
Other Nonmajor					
Governmental	97,211	82,790	0	527	180,528
<b>Total All Funds</b>	<b>\$143,446</b>	<b>\$86,108</b>	<b>\$79,673</b>	<b>\$527</b>	<b>\$309,754</b>

The interfund receivables/payables are due to lags between the dates interfund goods and services are provided, transactions recorded in the accounting system, and payments between funds were made. All are expected to be paid within one year.

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Interfund transfers for the year ended December 31, 2002 consisted of the following:

<u>Transfer from</u>	Transfer to				Totals
	Major Funds		Other		
	MVGT	Public Assistance	Nonmajor Governmental	Water Enterprise	
Major Funds:					
General Fund	\$125,000	\$306,021	\$422,293	\$51,109	\$904,423
MVGT	0	0	55,996	0	55,996
Childrens Services	0	0	157,390	0	157,390
Other Nonmajor Governmental	0	0	20,250	0	20,250
<b>Total All Funds</b>	<b>\$125,000</b>	<b>\$306,021</b>	<b>\$655,929</b>	<b>\$51,109</b>	<b>\$1,138,059</b>

The above mentioned transfers from/to were used to move revenues 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, and use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS**

*A. SouthEastern Ohio Joint Solid Waste Management District*

The County is a member of the Joint Solid Waste 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 Joint Solid Waste 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 2002. 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.

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*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 2002, 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 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.

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 2002, the County made no contributions to SEOJRD.

*D. Guernsey County Family Service Council*

The Guernsey County Family Service Council is a jointly governed organization created under Ohio Revised Code Section 121.37. The Council is made up of the following members: Director of the Board of Alcohol, Drug Addiction, and Mental Health Services, Director of the Guernsey County Community Mental Health Services Board, Health Commissioner of the Guernsey County Health Department, Health Commissioner of the City of Cambridge Health Department, Director of the Guernsey County Human Services, Director of the Children Services Department, Superintendent of the Guernsey County Mental Retardation and Development Disabilities, the Guernsey County Juvenile Court Judge, Superintendent of Cambridge City Schools, Mayor of the City of Cambridge, one representative from the City of Cambridge, Chair of the Guernsey County Commissioners, State Department of Youth Services Regional representative, representative from the County Head Start Agencies, a representative of the County's Early Intervention Collaborative established pursuant to the federal early intervention program operated under the "Education of the Handicapped Act Amendments of 1986", and at least three individuals representing the interests of families in the County. When possible, the number of members representing families shall be equal to twenty percent of the Council's remaining membership. In 2002, the County made no contributions to the Council. Continued existence of the Council is not dependent on the County's continued participation, no equity interest exists, and no debt is outstanding.

**Guernsey County, Ohio**  
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*E. Mental Health and Recovery Services Board*

The Mental Health and Recovery Services 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 2002, 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.

*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 2002, Guernsey County voluntarily contributed \$9,505 to SENT.

*G. Mid Eastern Ohio Regional Council (MEORC)*

The Mid Eastern 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. The Council is made up of the superintendents of each county's Board of Mental Retardation and Developmental Disabilities. Revenues are generated by fees and state grants. Continued existence of 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 2002, Guernsey County voluntarily contributed \$7,922 to MEORC.

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*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 the Association is not dependent on the County's continued participation. The County has no equity interest in, or financial responsibility for the Association. OMEGA has no outstanding debt. During 2002, the County made no contributions to OMEGA.

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

The Bureau is organized under State Statute by agreement between the Guernsey County Commissioners, the Cambridge Area Chamber of Commerce, and The Cambridge-Guernsey Community Improvement Corporation who acts as the fiscal agent for the Bureau. The Bureau operates the Guernsey County Tourist Information Center. The Bureau is governed by a seven member Board of Directors. The Board is comprised of one member of the Guernsey County Board of Commissioners, one member appointed by the Guernsey County Board of Commissioners, the president of the Guernsey Innkeeper's Association, one member appointed by the Guernsey County Innkeeper's Association, the president of the Chamber of Commerce, one member appointed by the Chamber of Commerce, and the executive vice president of the Chamber of Commerce. The Board exercises total control, including budgeting, appropriating, contracting, and designating management. The County collects and distributes a three percent hotel/motel lodging tax to the Bureau. The County has no equity interest in, or financial responsibility for the Bureau. The Bureau has no outstanding debt. During 2002, the County made no contributions to the Cambridge Guernsey County Visitors and Convention Bureau.

*J. The Area Office on Aging*

The Area Office on Aging 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 2002, the County made no contributions to the Area Office on Aging.

**Guernsey County, Ohio**  
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**For the Year Ended December 31, 2002**

*K. Eastern Ohio Correctional Center*

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 2002, the EOCC received no monies from Guernsey County. The continued existence of the EOCC is not dependent on the County's continued participation and the County does not have an equity interest in or a financial responsibility for the EOCC. The EOCC has no outstanding debt.

*L. Southeast Area Transit*

The Southeast Area Transit (SEAT) was created pursuant to state statute in 1979. SEAT formulates general policy for the operation of the Regional Transit Authority. Other duties of SEAT include determining routes and fares, formulate operating procedures, promote and maintain community awareness, and appoint and remove the General Manager and Secretary/Treasurer. SEAT is limited to a ten member board comprised of six individuals appointed by the Mayor of Zanesville, two people appointed by Muskingum County Commissioners, one individual appointed by the Mayor of South Zanesville, and one person appointed by the Guernsey County Commissioners. Guernsey County has a signed agreement with this organization to contribute \$22,000 per year. 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. SEAT has no outstanding debt.

**NOTE 20 - RELATED ORGANIZATIONS**

*A. Guernsey County Convention Facilities Authority*

This Authority (CFA) 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 CFA 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 CFA by state law. During 2002, the County made no contributions to the Guernsey County Convention Facilities Authority.

**Guernsey County, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2002**

*B. Cambridge Metropolitan Housing Authority*

The Cambridge Metropolitan Housing 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 2002, the County made no contributions to the Cambridge Metropolitan Housing Authority.

*C. Guernsey County Park District*

The Guernsey County Park 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 2002, the County made no contributions to the Park District.

*D. Guernsey County Airport Authority*

The Guernsey County Airport 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 2002, the County made no contributions to the Airport Authority.

**NOTE 21 - POOLS**

*A. County Risk Sharing Authority (CORSA):*

The County Risk Sharing Authority, Inc. (CORSA) is a public entity risk pool among forty-eight counties in Ohio. CORSA was formed as an Ohio non-profit corporation for the purpose of establishing the CORSA 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. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

**Guernsey County, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2002**

Each member County has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation 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. No county may have more than one representative on the board 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. CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no equity interest in or a financial responsibility for CORSA. Any additional premium or contribution amounts and estimates of losses are not reasonably determinable. The County's payment for insurance to CORSA in 2002 was \$163,348.

*B. County Commissioners Association of Ohio Workers' Compensation Group Rating Plan:*

The County is participating in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners Association Service Corporation (CCAOSC) was established through the County Commissioners Association of Ohio (CCAO) as a group 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 participating employers. The group executive committee consists of seven members. Two members are the president and treasurer of CCAOSC; the remaining five members are representatives of the participants. These five members are elected for the ensuing year by the participants at the meeting held in the month of December each year. No participant can have more than one member of the group executive committee in any year, and each elected member shall be a County Commissioner.

**NOTE 22 - RELATED PARTY TRANSACTIONS**

Guernsey Industries, a discretely presented component unit of Guernsey County, received contributions from the County for facilities, certain equipment, transportation, and salaries for administration, implementation, and supervision of its programs. These contributions are reflected as operating revenues and operating expenses at cost or fair market value as applicable, in the basic financial statements. In 2002, these contributions were \$38,131.

**NOTE 23 - FOOD STAMPS**

The County's Department of Human Services (Welfare) distributes, through a contracting issuance center, federal food stamps to entitled recipients within Guernsey County. The receipt and issuance of the stamps have the characteristics of a federal grant. However, the Department of Human Services merely acts in an intermediary capacity. Therefore, the inventory value of these stamps is not reflected in the accompanying financial statements, as the only economic interest related to these stamps rests with the ultimate recipient. The value of the food stamp inventory on hand at December 31, 2002 is \$31,219.

**Guernsey County, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2002**

**NOTE 24 - CONTINGENCIES**

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the County Commissioners believe such disallowances, if any, will be immaterial.

**NOTE 25 – GUERNSEY COUNTY PORT AUTHORITY**

*A. Description of the Entity*

The Guernsey County Port Authority (the Port Authority) is a body politic and corporate established to promote, develop and advance the general welfare, commerce, and economic development of Guernsey County and its citizens, and to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Port Authority is directed by a five-member Board appointed by the Guernsey County Commissioners.

The Port Authority is a component unit of Guernsey County since the members of the Port Authority's Board are appointed by the Guernsey County Board of Commissioners and the Port Authority is economically dependent on the County for financial support.

The Port Authority's management believes these financial statements present all activities for which the Port Authority is financially accountable. The Port Authority was formed in October 2000.

*B. Basis of Accounting*

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

*C. Fund Accounting*

The Port Authority maintains a General Fund, a governmental fund type, which is the general operating fund and is used to account for all financial resources of the Port Authority.

*D. Budgetary Process*

Ohio Rev. Code Section 4582.39, requires that each fund be budgeted annually. According to the by-laws, the budget for the next calendar year will be presented for approval at the January meeting.

A summary of 2002 budgetary activity appears in Note G.

**Guernsey County, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2002**

*E. Property, Plant and Equipment*

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

*F. Cash*

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31, 2002 follows:

Demand deposits	\$13,521
Total deposits	\$13,521

Deposits are entirely insured by the Federal Deposit Insurance Corporation.

*G. Budgetary Activity*

Budgetary activity for the year ended December 31, 2002 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$400	\$236	\$164

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$16,000	\$15,998	\$2

*H. Risk Management*

The Port Authority has obtained commercial insurance for the following risks:

- Public Officials liability, and
- Commercial crime.

**Guernsey County, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2002**

**NOTE 26 – GUERNSEY INDUSTRIES**

*A. Description of the Entity*

Guernsey Industries is a not-for-profit organization located in Byesville, Ohio. The Organization is a sheltered workshop for mentally handicapped adults and provides job and learning skills to their clients. Guernsey Industries manufactures various products for sale and also provides subcontract services to local businesses. The Organization regularly grants credit to companies in the Cambridge and Guernsey County area.

*B. Basis of Accounting*

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

The financial statements of Guernsey Industries have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

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

*C. Inventory*

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

*D. Estimates*

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

*E. Capital Assets*

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

**Guernsey County, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2002**

<u>DESCRIPTION</u>	<u>USEFUL LIFE</u>	<u>METHOD</u>
Machinery and equipment	5-7 years	Straight-line
Vehicles	3-5 years	Straight-line

*F. Cash Equivalents*

For the purpose of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity date of three months or less to be cash equivalents.

Short-term investments are carried at cost, which approximates market value. At December 31, 2002 and 2001 these investments were primarily interest bearing bank certificates of deposit with maturity dates of greater than three months.

*G. Inventory*

The components of inventory as of December 31 are as follows:

	<u>2002</u>
Materials	\$6,117
Finished Goods	<u>1,984</u>
	<u>\$8,101</u>

*H. Donated Services, Equipment and Facilities*

The Guernsey County Board of MR/DD made in-kind contributions to the Guernsey Industries Workshop. The in-kind contributions as of December 31 are as follows:

	<u>2002</u>
Production staff wages and fringe benefits	\$4,394
Adult program direct services wages and fringe benefits	17,474
Adult program capital costs	2,518
Adult program administrative costs	7,946
Adult program building service costs	<u>5,799</u>
	<u>\$38,131</u>

*I. Contingency*

The Organization operates a passenger van that has been substantially funded through federal grant monies from the Ohio Department of Transportation (ODOT). ODOT has filed a lien on this van in case of disposal. Upon disposal of the van Guernsey Industries must reimburse 80% (original funding ratio) of any residual fair market value of the vehicle at the time of such disposal.

**Guernsey County, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2002**

*J.      Deferred Income*

The Organization serves as the contract agent for funds received from the State of Ohio to serve the Family Resource Program. However, another party serves as the administrator of this program. All monies are received annually in July for expenditures occurring during the July through June period.

Therefore, any unexpected monies remaining at year-end are recorded and are considered to be unrestricted net assets.

*K.      Functional Allocation of Expenses*

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefits.

**GUERNSEY COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
DECEMBER 31, 2002**

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Pass-Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Disbursements</b>	<b>Noncash Disbursements</b>
<b>U.S. Department of Agriculture</b>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Food Donation	N/A	10.550	\$0	\$797
School Breakfast Program	05-PU-02/03	10.553	2,574	
National School Lunch Program	03/04-PU-02/03	10.555	5,279	
Total U.S. Department of Agriculture - Child Nutrition Cluster			7,853	797
<b>U.S. Department of Housing and Urban Development</b>				
<i>Passed Through Ohio Department of Development:</i>				
Community Development Block Grants / State's Program	B-C-00-028-1	14.228	75,011	
	B-F-00-028-1	14.228	39,583	
	B-C-97-028-1	14.228	32,145	
	B-F-01-028-1	14.228	71,827	
	B-F-98-028-1	14.228	1,413	
	B-F-99-028-1	14.228	1,372	
Total Community Development Block Grants / State's Program			221,351	0
HOME Investment Partnerships Program Grant	B-C-00-028-2	14.239	181,037	
Total U.S. Department of Housing and Urban Development			402,388	0
<b>U.S. Department of Education</b>				
<i>Passed Through Ohio Department of Health and the Guernsey County Family &amp; Children First Council:</i>				
Help Me Grow	N/A	84.181	60,395	
<i>Passed Through Ohio Department of Education:</i>				
Special Education Cluster:				
Special Education Grants to States (Title VI-B)	6B-SF-02P/03P	84.027	15,589	
Special Education Preschool Grants	PG-S1-2002P/2003P	84.173	14,916	
Total Special Education Cluster			30,505	0
Innovative Education Program Strategies (Title VI)	C2-S1-02/03	84.298	1,672	
Total Passed Through Ohio Department of Education			32,177	0
Total U.S. Department of Education			92,572	0
<b>U.S. Department of Justice</b>				
<i>Direct Programs:</i>				
Local Law Enforcement Block Grant	N/A	16.592	1,791	
Community Prosecution and Project Safe Neighborhoods	2002-GP-CX-0187	16.609	39,916	
<i>Passed Through Ohio Department of Public Safety:</i>				
State Domestic Preparedness Equipment Program	2002-TE-CX-0049	16.007	11,270	
Total U.S. Department of Justice			52,977	0

**GUERNSEY COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
DECEMBER 31, 2002  
(Continued)**

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Pass-Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Disbursements</b>	<b>Noncash Disbursements</b>
<b><u>U.S. Department of Labor</u></b>				
<i>Passed Through Ohio Valley Employment Resource:</i>				
Employment and Training Assistance - Dislocated Workers:				
Ametek/March Electric	F-98-31-00-00	17.246	589	
Windsor Coal	N/A	17.246	1,265	
Total Employment and Training Assistance			1,854	0
<i>Passed Through Ohio Department of Job and Family Services:</i>				
Workforce Investment Act (WIA) Cluster:				
Workforce Investment Act - Adult	N/A	17.258	536,526	
Workforce Investment Act - Adult Administrative			13,796	
Workforce Investment Act - Adult Total			550,322	0
Workforce Investment Act - Youth	N/A	17.259	422,479	
Workforce Investment Act - Youth Administrative			13,598	
Workforce Investment Act - Youth Total			436,077	0
Workforce Investment Act - Dislocated Worker	N/A	17.260	146,606	
Workforce Investment Act - Dislocated Worker Administrative			1,923	
Workforce Investment Act - Dislocated Worker Total			148,529	0
Total Workforce Investment Act Cluster			1,134,928	0
Total U.S. Department of Labor			1,136,782	0
<b><u>U.S. Department of Transportation</u></b>				
<i>Passed Through Ohio Department of Public Safety:</i>				
Highway Planning and Construction	2002-STG-G/3	20.205	7,300	
<i>Passed Through Ohio Department of Transportation:</i>				
Highway Planning and Construction	N/A	20.205	1,976,073	
Total Highway Planning and Construction			1,983,373	0
Total U.S. Department of Transportation			1,983,373	0
<b><u>U.S. Department of Health and Human Services</u></b>				
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities (MRDD):</i>				
Social Services Block Grant (Title XX)	N/A	93.667	49,255	
Medical Assistance Program (Medicaid, Title XIX)	N/A	93.778	706,717	
Total Passed Through Ohio Department of MRDD			755,972	0
Total U.S. Department of Health and Human Services			755,972	0
<b><u>Federal Emergency Management Agency</u></b>				
<i>Passed Through Ohio Department of Public Safety - Emergency Management Agency:</i>				
Terrorism Consequence Management Preparedness Assistance	N/A	83.552	2,058	
Emergency Management Performance Grants	EMC-2003-GR-7006	83.552	18,985	
Total Federal Emergency Management Agency			21,043	0
<b>Total Federal Awards Expenditures</b>			<b>\$4,452,960</b>	<b>\$797</b>

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

## **GUERNSEY COUNTY**

### **NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES FOR THE YEAR ENDED DECEMBER 31, 2002**

#### **NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of Guernsey County's (the County) federal award programs. The Schedule has been prepared on the cash basis of accounting, except expenditures of assistance passed through the Ohio Department of Job and Family Services Job Training Partnership Programs are presented on an accrual basis.

#### **NOTE B - SUBRECIPIENTS**

The County passes-through certain federal assistance received from Ohio Department of Development to other governments. As described in Note A, the County records expenditures of federal awards to subrecipients when paid in cash, except expenditures paid to JTPA subrecipients are recognized on an accrual basis.

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

#### **NOTE C - CHILD NUTRITION CLUSTER**

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

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At December 31, 2002, the County had \$465 of food commodities in inventory.

#### **NOTE D - MATCHING REQUIREMENTS**

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

#### **NOTE E - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS**

The County has established a revolving loan program to provide low-interest loans to businesses for renovations and improvements. The Federal Department of Housing and Urban Development (HUD) granted money for these loans to the County, and they were passed through the Ohio Department of Development (ODOD). No additional loan money was granted to the County during 2002. Loans repaid, including interest, were used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by the building and/or property. At December 31, 2002 there were \$21,132 of loans outstanding under this program.

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## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Guernsey County  
627 Wheeling Avenue, Ste. 203  
Cambridge, Ohio 43725

To the Board of County Commissioners:

We have audited the accompanying financial statements of Guernsey County, Ohio (the County), as of and for the year ended December 31, 2002, and have issued our report thereon dated December 23, 2003, wherein we noted the County adopted Governmental Accounting Standards Board Statements 34, 37 and 38 and Interpretation 6. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of Guernsey Industries were audited by other auditors in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards* and accordingly this report does not extend to that component unit.

#### **Compliance**

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2002-001 and 2002-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated December 23, 2003.

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

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701  
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the County in a separate letter dated December 23, 2003.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

December 23, 2003



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Guernsey County  
627 Wheeling Avenue, Suite 203  
Cambridge, Ohio 43725

To the Board of County Commissioners:

**Compliance**

We have audited the compliance of Guernsey County, Ohio (the County), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2002. The County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. 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 that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2002.

**Internal Control Over Compliance**

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

December 23, 2003

**GUERNSEY COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 §.505**  
**DECEMBER 31, 2002**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Highway Planning and Construction Grant - C.F.D.A. #20.205 and Medicaid Cluster – C.F.D.A. #93.778
<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>	Yes

**GUERNSEY COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 §.505**  
**DECEMBER 31, 2002**  
**(Continued)**

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

**FINDING NUMBER 2002-001**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(D)(1) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. The following exceptions to this basic requirement are provided by statute:

- A. Then and Now Certificates - This exception provides that, if the fiscal officer can certify that both at the time the contract or order was made and at the time that the fiscal officer is completing their certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.
- B. Amounts of less than \$100 for counties may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Fiscal officers may prepare so-called "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding 3 months or running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Effective September 26, 2003, the \$5,000 limit on the issuance of purchase orders and the requirement that purchase orders not extend beyond three months have been removed from the law. Effective September 26, 2003, purchase orders may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

In addition to these blanket certificates, a subdivision may also make expenditures and contracts from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. These are called super blankets. This certification is not to extend beyond the fiscal year or in the case of counties, beyond the quarterly spending plan established by the county commissioners.

The County Auditor's prior certification was not obtained for 27 percent of the transactions we tested, and there was no evidence of a "Then and Now" certificate being used by the County Auditor. Also, 26 percent of the blanket and super blanket certificates tested were not issued in accordance with the above mentioned guidelines.

We recommend the County obtain prior certification for all disbursements. Also, we recommend the County issue blanket certificates for \$5,000 or less and not use them for over 3 months (this requirement changed as of September 2003 in which blanket certificates can be issued for amounts greater than \$5,000 and can extend beyond three months). We recommend the County only issue super blankets for specific recurring and reasonably predictable operating expenses.

**GUERNSEY COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 §.505**  
**DECEMBER 31, 2002**  
**(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2002-002**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated.

As described in Note 5 to the financial statements, the County had expenditures plus encumbrances which were \$1,009,452 in excess of appropriations within the Motor Vehicle and Gasoline Tax Special Revenue Fund, contractual services line item. These excess expenditures were partially caused by the County not budgeting for or recording all of the Ohio Department of Transportation LPA grant funding received and expended.

We recommend the County promptly record all grant funding and expenditures and monitor budget versus actual amounts to ensure expenditures and encumbrances do not exceed appropriated amounts. The County should review Auditor of State Bulletin 2000-08 for suggested accounting procedures for this type of funding.

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
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None

**GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 §.315 (b)  
DECEMBER 31, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2001-61030-001	Ohio Rev. Code Section 5705.41(D)(1) states that no subdivision or taxing unit shall make any expenditure of money unless the fiscal officer attaches a certificate stating the amount has been lawfully appropriated.	No	Not Corrected; the noncompliance citation is repeated as Finding Number 2002-001.

**GUERNSEY COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 §.315 (c)  
DECEMBER 31, 2002**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2002-001	The County Auditor's bookkeeping department plans to discuss improving prior certification procedures with County departments. In addition, the Auditor's bookkeeping department plans to closely monitor the situation.	Ongoing	Tony Brown, County Auditor
2002-002	The County Engineer's office plans to forward all information concerning the LPA grant monies to the County Auditor's Bookkeeping Department to be budgeted and recorded.	Ongoing	Del George, County Engineer

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**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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  
JANUARY 27, 2004**