

**GUERNSEY COUNTY**  
**ANNUAL REPORT**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

*Wolfe, Wilson, & Phillips, Inc.*  
*37 South Seventh Street*  
*Zanesville, Ohio 43701*





Mary Taylor, CPA  
Auditor of State

County Commissioners  
Guernsey County  
627 Wheeling Avenue  
Cambridge, Ohio 43725

We have reviewed the *Independent Auditors' Report* of Guernsey County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period January 1, 2006 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Guernsey County is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

September 12, 2007

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**GUERNSEY COUNTY**

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**WOLFE, WILSON, & PHILLIPS, INC.**  
**37 SOUTH SEVENTH STREET**  
**ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT**

Guernsey County  
627 Wheeling Avenue  
Cambridge, Ohio 43725

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Guernsey County, Ohio (the County) as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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. 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, if any, made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Ohio Administrative Code Section 117-2-03(B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Guernsey County, Ohio as of December 31, 2006, and the respective changes in financial position and the respective budgetary comparison for the General Fund, Public Assistance Fund, Motor Vehicle and Gasoline Tax Fund, Mental Retardation and Developmental Disabilities Fund, and the Children Services Fund for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 31, 2007, on our consideration of Guernsey County's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Independent Auditors' Report

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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 have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine of the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards expenditures present additional information and is required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. It is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule 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.

***Wolfe, Wilson, & Phillips, Inc.***

Zanesville, Ohio

July 31, 2007

**Guernsey County, Ohio**

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**Guernsey County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*  
*Unaudited*

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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, 2006, within the limitations of the County's modified cash basis accounting. Readers should also review the modified cash financial statements and notes to enhance their understanding of the County's financial performance.

### **Financial Highlights**

Key financial highlights for 2006 are as follows:

- Net modified cash assets of governmental activities increased \$1,947,674
- At the end of the current year, the County's governmental funds reported a combined ending fund balance of \$15,176,756, an increase of \$1,888,192 from the prior year.

### **Using This Annual Financial Report**

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

### **Basis of Accounting**

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

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

### **County-Wide Financial Statements**

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

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

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

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

**Guernsey County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*  
*Unaudited*

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

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

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

***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or 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, Mental Retardation and Developmental Disabilities, and Children Services 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.

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

*Proprietary Funds* - The County maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities on the government-wide financial statements. The County uses enterprise funds to account for the Water Fund operations and Sewer Fund operations. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the County's other programs and activities. The Self-Insurance Fund accounts for the claims relating to the County's self-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.

*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 Year Ended December 31, 2006*  
*Unaudited*

**Government-Wide Financial Analysis**

Table 1 provides a summary of the County's net assets for 2006 compared to 2005.

Table 1  
 Net Assets - Modified Cash Basis

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$14,336,350	\$12,700,420	\$493,351	\$545,370	\$14,829,701	\$13,245,790
Cash and Cash Equivalents with Fiscal and Escrow Agents	1,161,202	852,666	0	0	1,161,202	852,666
Investments	96,530	93,322	0	0	96,530	93,322
<i>Totals Assets</i>	<u>\$15,594,082</u>	<u>\$13,646,408</u>	<u>\$493,351</u>	<u>\$545,370</u>	<u>\$16,087,433</u>	<u>\$14,191,778</u>
<b>Net Assets</b>						
Restricted for:						
Capital Projects	\$1,147,570	\$1,358,903	\$0	\$0	\$1,147,570	\$1,358,903
Debt Service	164,424	182,414	0	0	164,424	182,414
Motor Vehicle Gasoline Tax	1,404,385	1,160,611	0	0	1,404,385	1,160,611
Public Assistance	196,558	321,832	0	0	196,558	321,832
Children Services	2,077,790	1,972,307	0	0	2,077,790	1,972,307
Mental Retardation and Developmental Disabilities	8,317,695	6,917,842	0	0	8,317,695	6,917,842
Other Purposes	1,323,856	1,173,711	0	0	1,323,856	1,173,711
Unrestricted	961,804	558,788	493,351	545,370	1,455,155	1,104,158
<i>Total Net Assets</i>	<u>\$15,594,082</u>	<u>\$13,646,408</u>	<u>\$493,351</u>	<u>\$545,370</u>	<u>\$16,087,433</u>	<u>\$14,191,778</u>

A portion of the County's governmental activities net assets, \$14,632,278, or 94 percent, represents resources that are subject to restrictions on how they can be used. The remaining balance of unrestricted assets, \$961,804, or 6 percent, is to be used to meet the County's ongoing obligations to citizens and creditors.

Table 2 shows the changes in net assets for 2006 compared to 2005.

**Guernsey County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*  
*Unaudited*

Table 2  
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Receipts</b>						
<b>Program Revenues</b>						
Charges for Services	\$4,081,307	\$4,029,258	\$2,050,314	\$2,021,689	\$6,131,621	\$6,050,947
Operating Grants, Contributions, and Interest	21,846,519	22,624,649	0	0	21,846,519	22,624,649
Capital Grants and Contributions and Interest	4,513,851	3,079,381	0	0	4,513,851	3,079,381
<b>Total Program Receipts</b>	<b>30,441,677</b>	<b>29,733,288</b>	<b>2,050,314</b>	<b>2,021,689</b>	<b>32,491,991</b>	<b>31,754,977</b>
<b>General Receipts and Transfers</b>						
Property Taxes	5,913,246	5,202,997	0	0	5,913,246	5,202,997
Permissive Sales Taxes	5,800,970	5,691,939	0	0	5,800,970	5,691,939
Grants and Entitlements	1,093,357	1,058,518	0	0	1,093,357	1,058,518
Investment Earnings	722,212	593,784	0	0	722,212	593,784
Special Assessment Bonds Issued	200,000	0	0	0	200,000	0
General Obligation Bonds Issued	305,000	0	0	0	305,000	0
Bond Anticipation Notes Issued	100,000	780,000	0	0	100,000	780,000
Loan Payments Received	6,432	0	0	0	6,432	0
Premium on Notes Issued	4,765	2,738	0	0	4,765	2,738
Proceeds of OWDA Loans	0	0	41,943	20,704	41,943	20,704
Miscellaneous	456,167	551,167	5,883	27,450	462,050	578,617
Discount on Debt Issued	(4,200)	0	0	27,450	(4,200)	27,450
Transfers	58,623	(288,948)	(58,623)	288,948	0	0
<b>Total General Receipts and Transfers</b>	<b>14,656,572</b>	<b>13,592,195</b>	<b>(10,797)</b>	<b>364,552</b>	<b>14,645,775</b>	<b>13,956,747</b>
<b>Total Receipts</b>	<b>45,098,249</b>	<b>43,325,483</b>	<b>2,039,517</b>	<b>2,386,241</b>	<b>47,137,766</b>	<b>45,711,724</b>
<b>Program Disbursements</b>						
<b>General Government</b>						
Legislative and Executive	5,312,043	6,396,198	0	0	5,312,043	6,396,198
Judicial	2,739,991	2,746,565	0	0	2,739,991	2,746,565
Public Safety	3,368,590	3,650,562	0	0	3,368,590	3,650,562
Public Works	7,597,439	6,764,589	0	0	7,597,439	6,764,589
Health	5,793,850	5,440,195	0	0	5,793,850	5,440,195
Human Services	14,833,068	14,227,780	0	0	14,833,068	14,227,780
<b>Economic Development and Assistance</b>						
	678,855	488,415	0	0	678,855	488,415
Other	435,505	246,187	0	0	435,505	246,187
Capital Outlay	524,174	2,120,953	0	0	524,174	2,120,953
<b>Debt Service</b>						
Principal	1,437,622	1,612,366	0	0	1,437,622	1,612,366
Interest and Fiscal Charges	423,856	448,529	0	0	423,856	448,529
Issuance Costs	5,582	2,739	0	0	5,582	2,739
Current Refunding	0	355,000	0	0	0	355,000
Sewer	0	0	253,149	589,170	253,149	589,170
Water	0	0	1,838,387	1,758,596	1,838,387	1,758,596
<b>Total Disbursements</b>	<b>43,150,575</b>	<b>44,500,078</b>	<b>2,091,536</b>	<b>2,347,766</b>	<b>45,242,111</b>	<b>46,847,844</b>
<b>Change in Net Assets</b>	<b>1,947,674</b>	<b>(1,174,595)</b>	<b>(52,019)</b>	<b>38,475</b>	<b>1,895,655</b>	<b>(1,136,120)</b>
<b>Net Assets Beginning of Year</b>	<b>13,646,408</b>	<b>14,821,003</b>	<b>545,370</b>	<b>534,345</b>	<b>14,191,778</b>	<b>15,355,348</b>
<b>Net Assets End of Year</b>	<b>\$15,594,082</b>	<b>\$13,646,408</b>	<b>\$493,351</b>	<b>\$572,820</b>	<b>\$16,087,433</b>	<b>\$14,219,228</b>

**Guernsey County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*  
*Unaudited*

Operating grants were the largest program receipts, accounting for \$21,846,519 or 72 percent of total governmental activities program revenue receipts.

Property tax receipts account for \$5,913,246 or 13 percent of total governmental receipts. Another major component of general governmental receipts was permissive sales taxes, which accounted for \$5,800,970 or 13 percent of total receipts.

The County's direct charges to users of governmental services made up \$4,081,307 or 9 percent of total governmental receipts. These charges are for fees associated with the collection of property taxes, fines and forfeitures related to judicial activity, and licenses and permits.

Human services programs accounted for \$14,833,068, or 34 percent of total disbursements for governmental activities. Other major program disbursements for governmental activities include public works, which accounted for \$7,597,850 or 18 percent of total disbursements, and general government - legislative and executive, which accounted for \$5,312,043 or 12 percent of total disbursements.

Table 3, for governmental activities, indicates the total cost of services and the net cost of services for 2006 compared to 2005. The statement of activities reflects the cost of program services and the charges for services, grants, contributions, and interest offsetting those services. The net cost of services identifies the cost of those services supported by tax receipts, unrestricted intergovernmental receipts, and unrestricted interest receipts.

Table 3  
 Governmental Activities

	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2006</u>	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>
General Government:				
Legislative and Executive	\$5,312,043	\$3,399,100	\$6,396,198	\$3,567,277
Judicial	2,739,991	1,613,464	2,746,565	1,546,886
Public Safety	3,368,590	2,672,622	3,650,562	2,946,100
Public Works	7,597,439	(1,387,803)	6,764,589	(2,030,128)
Health	5,793,850	2,153,433	5,440,195	2,291,632
Human Services	14,833,068	1,490,183	14,227,780	1,579,944
Economic Development and Assistance	678,855	(58,840)	488,415	79,305
Miscellaneous	435,505	435,505	246,187	246,187
Capital Outlay	524,174	524,174	2,120,953	2,120,953
Debt Service				
Principal	1,437,622	1,437,622	1,612,366	1,612,366
Interest and Fiscal Charges	423,856	423,856	448,529	448,529
Issuance Costs	5,582	5,582	2,739	2,739
Current Refunding	0	0	355,000	355,000
Total Disbursements	<u>\$43,150,575</u>	<u>\$12,708,898</u>	<u>\$44,500,078</u>	<u>\$14,766,790</u>

Charges for services, operating grants, contributions and interest, and capital grants, contributions, and interest of \$30,441,677, or 70 percent of the total costs of services, are received and used to fund the general government disbursements of the County. The remaining \$12,708,898 in general government disbursements is funded by property taxes, permissive sales taxes, intergovernmental receipts, interest, miscellaneous receipts, and proceeds of debt.

**Guernsey County, Ohio**  
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*Unaudited*

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The \$2,153,433 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 several programs including the Mental Retardation and Developmental Disabilities and County Home.

**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, 2006, the County's governmental funds reported a combined ending fund balance of \$15,176,756, an increase of \$1,888,192 in comparison with the prior year. Approximately \$14,985,456, or 99 percent of this total, constitutes unreserved undesignated fund balance. 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 (\$68,393) or reserved for unclaimed monies (\$122,907). 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 2006, unreserved fund balance was \$503,583, while total fund balance was \$667,385. 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 disbursements. Unreserved fund balance represents 5 percent to total General Fund disbursements, while total fund balance represents 7 percent of that same amount.

The fund balance of the County's General Fund increased by \$354,714 during 2006. The primary reason for the increase was a decline in disbursements, primarily in general government – legislative and executive.

At the end of 2006 the Public Assistance Special Revenue Fund had a fund balance of \$196,558, in comparison to a fund balance of \$321,832 at the end of 2005. This change is primarily due to increased disbursements from the prior year.

At the end of 2006 the Motor Vehicle and Gasoline Tax Special Revenue Fund had a fund balance of \$1,404,385, in comparison to a fund balance of \$1,160,611 at the end of 2005. This increase is primarily due to an increase in revenue, coupled with a decline in disbursements.

At the end of 2006 the Mental Retardation and Developmental Disabilities Special Revenue Fund had a fund balance of \$8,317,695, in comparison to a fund balance of \$6,917,842 at the end of 2005. This increase is primarily due to increased revenues from the prior year.

At the end of 2006 the Children Services Special Revenue Fund had a fund balance of \$2,077,790 in comparison to a fund balance of \$1,972,307 at the end of 2005.

*Business-Type Activities* – As of December 31, 2006, business-type funds of the County reported net assets of \$493,351. This is a decrease of \$52,019 during 2006.

**Guernsey County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*  
*Unaudited*

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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. The Board of County Commissioners adopts a permanent annual operating budget for the County on or about January 1.

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

**Economic Factors**

The unemployment rate for the County is currently 6.5 percent, which is a decrease of 8.5 percent from the prior year. This rate exceeds the State's current rate of 5.5 percent and the current national rate of 4.6 percent.

The County's \$612,378,190 assessed valuation has increased \$52,965,420 from the prior year. During 2006, the County realized an increase in property tax valuation, due to the triennial update, which increased agricultural and residential property valuation by 15% and commercial properties by 10%.

The various economic factors were considered in the preparation of the County's 2006 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, 627 Wheeling Avenue, Cambridge, Ohio 43725.

**Guernsey County, Ohio**  
**Statement of Net Assets - Modified Cash Basis**  
**December 31, 2006**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$14,336,350	\$493,351	\$14,829,701
Cash and Cash Equivalents with with Fiscal Agents	1,161,202	0	1,161,202
Investments	96,530	0	96,530
<i>Total Assets</i>	<u>\$15,594,082</u>	<u>\$493,351</u>	<u>\$16,087,433</u>
<b>Net Assets</b>			
Restricted for:			
Capital Projects	\$1,147,570	\$0	\$1,147,570
Debt Service	164,424	0	164,424
Motor Vehicle and Gasoline Tax	1,404,385	0	1,404,385
Public Assistance	196,558	0	196,558
Children Services	2,077,790	0	2,077,790
Mental Retardtion and Developmental Disabilities	8,317,695	0	8,317,695
Other Purposes	1,323,856	0	1,323,856
Unrestricted	961,804	493,351	1,455,155
<i>Total Net Assets</i>	<u>\$15,594,082</u>	<u>\$493,351</u>	<u>\$16,087,433</u>

See accompanying notes to the basic financial statements

**Guernsey County, Ohio**  
**Statement of Activities - Modified Cash Basis**  
**For the Year Ended December 31, 2006**

	Program Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
					Primary Government		
	Disbursements	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest	Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>							
Governmental Activities:							
General Government:							
Legislative and Executive	\$5,312,043	\$1,582,659	\$274,553	\$55,731	(\$3,399,100)	\$0	(\$3,399,100)
Judicial	2,739,991	753,384	373,143	0	(1,613,464)	0	(1,613,464)
Public Safety	3,368,590	432,384	263,584	0	(2,672,622)	0	(2,672,622)
Public Works	7,597,439	482,965	4,044,157	4,458,120	1,387,803	0	1,387,803
Health	5,793,850	668,946	2,971,471	0	(2,153,433)	0	(2,153,433)
Human Services	14,833,068	160,969	13,181,916	0	(1,490,183)	0	(1,490,183)
Economic Development and Assistance	678,855	0	737,695	0	58,840	0	58,840
Other	435,505	0	0	0	(435,505)	0	(435,505)
Capital Outlay	524,174	0	0	0	(524,174)	0	(524,174)
Principal Retirements	1,437,622	0	0	0	(1,437,622)	0	(1,437,622)
Interest and Fiscal Charges	423,856	0	0	0	(423,856)	0	(423,856)
Issuance Costs	5,582	0	0	0	(5,582)	0	(5,582)
<i>Total Governmental Activities</i>	<u>43,150,575</u>	<u>4,081,307</u>	<u>21,846,519</u>	<u>4,513,851</u>	<u>(12,708,898)</u>	<u>0</u>	<u>(12,708,898)</u>
Business-Type Activities:							
Sewer	253,149	220,026	0	0	0	(33,123)	(33,123)
Water	1,838,387	1,830,288	0	0	0	(8,099)	(8,099)
<i>Total Business-Type Activities</i>	<u>2,091,536</u>	<u>2,050,314</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(41,222)</u>	<u>(41,222)</u>
<i>Total Primary Government</i>	<u>\$45,242,111</u>	<u>\$6,131,621</u>	<u>\$21,846,519</u>	<u>\$4,513,851</u>	<u>(12,708,898)</u>	<u>(41,222)</u>	<u>(12,750,120)</u>
<b>General Receipts</b>							
Property Taxes Levied for General Purposes					1,351,401	0	1,351,401
Property Taxes Levied for:							
Health Levy					296,222	0	296,222
County Home					505,715	0	505,715
Children Services					1,059,290	0	1,059,290
Mental Retardation and Developmental Disabilities					2,282,342	0	2,282,342
Senior Citizens Levy					418,276	0	418,276
Sales Taxes Levied for General Purposes					5,021,630	0	5,021,630
Sales Taxes Levied for Other Purposes					779,340	0	779,340
Grants and Entitlements not Restricted to Specific Programs					1,093,357	0	1,093,357
Investment Earnings					722,212	0	722,212
Special Assessment Bonds Issued					200,000	0	200,000
Notes Issued					405,000	0	405,000
Loan Payments Received					6,432	0	6,432
Premium on Notes Issued					4,765	0	4,765
Proceeds of OWDA Loans					0	41,943	41,943
Miscellaneous					456,167	5,883	462,050
Discount on Debt Issued					(4,200)	0	(4,200)
Transfers					58,623	(58,623)	0
<i>Total General Receipts and Transfers</i>					<u>14,656,572</u>	<u>(10,797)</u>	<u>14,645,775</u>
<i>Change in Net Assets</i>					1,947,674	(52,019)	1,895,655
Net Assets Beginning of Year					13,646,408	545,370	14,191,778
<i>Net Assets End of Year</i>					<u>\$15,594,082</u>	<u>\$493,351</u>	<u>\$16,087,433</u>

See accompanying notes to the basic financial statements

**Guernsey County, Ohio**  
**Statement of Modified Cash Basis Assets and Fund Balances**  
**Governmental Funds**  
**December 31, 2006**

	General	Public Assistance	Motor Vehicle and Gasoline Tax	Mental Retardation and Developmental Disabilities	Children Services	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Equity in Pooled Cash and Cash Equivalents	\$667,385	\$196,558	\$1,404,385	\$7,156,493	\$1,981,260	\$2,512,943	\$13,919,024
Cash and Cash Equivalents with with Fiscal Agents	0	0	0	1,161,202	0	0	1,161,202
Investments	0	0	0	0	96,530	0	96,530
<i>Total Assets</i>	<u>\$667,385</u>	<u>\$196,558</u>	<u>\$1,404,385</u>	<u>\$8,317,695</u>	<u>\$2,077,790</u>	<u>\$2,512,943</u>	<u>\$15,176,756</u>
<b>Fund Balances</b>							
Reserved for Encumbrances	40,895	0	26,162	0	0	1,336	68,393
Reserved for Unclaimed Monies	122,907	0	0	0	0	0	122,907
Unreserved:							
Undesignated, Reported in:							
General Fund	503,583	0	0	0	0	0	503,583
Special Revenue Funds	0	196,558	1,378,223	8,317,695	2,077,790	1,199,613	13,169,879
Debt Service Funds	0	0	0	0	0	164,424	164,424
Capital Projects Funds	0	0	0	0	0	1,147,570	1,147,570
<i>Total Fund Balances</i>	<u>667,385</u>	<u>196,558</u>	<u>1,404,385</u>	<u>8,317,695</u>	<u>2,077,790</u>	<u>2,512,943</u>	<u>15,176,756</u>

See accompanying notes to the basic financial statements

**Guernsey County, Ohio**  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Assets - Modified Cash Assets of Governmental Activities**  
**December 31, 2006**

**Total Governmental Fund Balances** \$15,176,756

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

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

417,326

**Net Assets of Governmental Activities**

\$15,594,082

See accompanying notes to the basic financial statements

**Guernsey County, Ohio**  
**Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2006**

	General	Public Assistance	Motor Vehicle and Gasoline Tax	Mental Retardation and Developmental Disabilities	Children Services	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>							
Property Taxes	\$1,335,960	\$0	\$0	\$2,282,342	\$1,059,290	\$1,235,654	\$5,913,246
Sales Taxes	5,021,630	0	0	0	0	779,340	5,800,970
Permissive Motor Vehicle License Tax	0	0	144,995	0	0	0	144,995
Special Assessments	0	0	0	0	0	55,520	55,520
Charges for Services	1,681,692	0	0	300,870	12,652	1,154,396	3,149,610
Licenses and Permits	34,536	0	0	0	0	64,511	99,047
Fines and Forfeitures	114,421	0	179,362	0	0	61,822	355,605
Intergovernmental	1,304,579	9,221,015	4,015,798	2,782,306	2,258,845	7,737,312	27,319,855
Interest	644,383	0	27,300	0	3,209	110,626	785,518
Rent	180,559	0	0	0	0	151,491	332,050
Contributions and Donations	0	0	0	120	14,926	0	15,046
Other	50,182	347	193	36,164	9,391	359,890	456,167
<i>Total Receipts</i>	<u>10,367,942</u>	<u>9,221,362</u>	<u>4,367,648</u>	<u>5,401,802</u>	<u>3,358,313</u>	<u>11,710,562</u>	<u>44,427,629</u>
<b>Disbursements</b>							
Current:							
General Government:							
Legislative and Executive	3,892,980	0	0	0	0	1,436,226	5,329,206
Judicial	2,118,401	0	0	0	0	622,133	2,740,534
Public Safety	2,504,212	0	0	0	0	874,108	3,378,320
Public Works	154,990	0	3,893,950	0	0	3,560,205	7,609,145
Health	57,805	0	0	3,998,907	0	1,740,687	5,797,399
Human Services	267,073	9,491,358	0	0	3,029,737	2,061,691	14,849,859
Economic Development and Assistance	13,366	0	0	0	0	665,489	678,855
Other	435,505	0	0	0	0	0	435,505
Capital Outlay	52,604	11,570	325,651	3,042	0	131,307	524,174
Debt Service:							
Principal Retirement	0	0	0	0	0	1,437,622	1,437,622
Interest and Fiscal Charges	0	0	0	0	0	423,856	423,856
Issuance Costs	0	0	0	0	0	5,582	5,582
<i>Total Disbursements</i>	<u>9,496,936</u>	<u>9,502,928</u>	<u>4,219,601</u>	<u>4,001,949</u>	<u>3,029,737</u>	<u>12,958,906</u>	<u>43,210,057</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>871,006</u>	<u>(281,566)</u>	<u>148,047</u>	<u>1,399,853</u>	<u>328,576</u>	<u>(1,248,344)</u>	<u>1,217,572</u>
<b>Other Financing Sources (Uses):</b>							
Speical Assessment Bonds Issued	0	0	0	0	0	200,000	200,000
Notes Issued	0	0	0	0	0	405,000	405,000
Loan Payments Received	0	0	0	0	0	6,432	6,432
Premium on Notes Issued	0	0	0	0	0	4,765	4,765
Transfers In	1,019	156,292	164,814	0	0	919,102	1,241,227
Transfers Out	(517,311)	0	(69,087)	0	(223,093)	(373,113)	(1,182,604)
Discount on Special Assessment Bonds Issued	0	0	0	0	0	(4,200)	(4,200)
<i>Total Other Financing Sources (Uses)</i>	<u>(516,292)</u>	<u>156,292</u>	<u>95,727</u>	<u>0</u>	<u>(223,093)</u>	<u>1,157,986</u>	<u>670,620</u>
<i>Net Change in Fund Balances</i>	354,714	(125,274)	243,774	1,399,853	105,483	(90,358)	1,888,192
Fund Balances Beginning of Year	312,671	321,832	1,160,611	6,917,842	1,972,307	2,603,301	13,288,564
<i>Fund Balances End of Year</i>	<u>\$667,385</u>	<u>\$196,558</u>	<u>\$1,404,385</u>	<u>\$8,317,695</u>	<u>\$2,077,790</u>	<u>\$2,512,943</u>	<u>\$15,176,756</u>

See accompanying notes to the basic financial statements

**Guernsey County, Ohio**  
**Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances**  
**of Governmental Funds to the Statement of Activities - Modified Cash Basis**  
**For the Year Ended December 31, 2006**

**Net Change in Fund Balances - Governmental Funds** \$1,888,192

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

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund disbursements and the related internal service fund receipts are eliminated. The net expenses of the internal service fund is allocated among the governmental activities.

59,482

**Change in Net Assets of Governmental Activities**

\$1,947,674

See accompanying notes to the basic financial statements

**Guernsey County, Ohio**  
**Statement of Cash Receipts, Disbursements and Change in**  
**Cash Basis Fund Balance - Budget and Actual (Budget Basis)**  
**General Fund**  
**For the Year Ended December 31, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property Taxes	\$1,258,338	\$1,258,337	\$1,324,793	\$66,456
Sales Taxes	4,995,468	4,995,468	5,021,630	26,162
Charges for Services	1,682,260	1,711,310	1,681,692	(29,618)
Licenses and Permits	40,900	40,900	34,536	(6,364)
Fines and Forfeitures	136,000	136,000	114,421	(21,579)
Intergovernmental	1,239,348	1,244,753	1,304,579	59,826
Interest	550,000	550,000	702,089	152,089
Rent	180,540	180,540	180,559	19
Other	191,184	140,078	50,182	(89,896)
<i>Total Receipts</i>	<u>10,274,038</u>	<u>10,257,386</u>	<u>10,414,481</u>	<u>157,095</u>
<b>Disbursements</b>				
Current:				
General Government:				
Legislative and Executive	4,149,940	4,198,463	3,896,264	302,199
Judicial	2,209,547	2,139,773	2,120,070	19,703
Public Safety	2,549,868	2,548,211	2,532,167	16,044
Public Works	148,039	156,590	154,990	1,600
Health	57,764	57,805	57,805	0
Human Services	277,058	276,284	270,202	6,082
Economic Development and Assistance	5,067	14,600	13,366	1,234
Other	422,872	436,848	435,505	1,343
Capital Outlay	61,088	64,476	57,462	7,014
<i>Total Disbursements</i>	<u>9,881,243</u>	<u>9,893,050</u>	<u>9,537,831</u>	<u>355,219</u>
<i>Excess of Receipts Over Disbursements</i>	<u>392,795</u>	<u>364,336</u>	<u>876,650</u>	<u>512,314</u>
<b>Other Financing Source (Use)</b>				
Transfers In	19,305	19,305	1,019	(18,286)
Transfers Out	(545,769)	(517,311)	(517,311)	0
<i>Total Other Financing Source (Use)</i>	<u>(526,464)</u>	<u>(498,006)</u>	<u>(516,292)</u>	<u>(18,286)</u>
<i>Net Change in Fund Balance</i>	(133,669)	(133,670)	360,358	494,028
Fund Balance at Beginning of Year	245,414	245,414	245,414	0
<i>Fund Balance at End of Year</i>	<u>\$111,745</u>	<u>\$111,744</u>	<u>\$605,772</u>	<u>\$494,028</u>

See accompanying notes to the basic financial statements

**Guernsey County, Ohio**  
**Statement of Cash Receipts, Disbursements and Change in**  
**Cash Basis Fund Balance - Budget and Actual (Budget Basis)**  
**Public Assistance Fund**  
**For the Year Ended December 31, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Intergovernmental	\$10,089,000	\$10,389,000	\$9,221,015	(\$1,167,985)
Other	0	0	347	347
<i>Total Receipts</i>	<u>10,089,000</u>	<u>10,389,000</u>	<u>9,221,362</u>	<u>(1,167,638)</u>
<b>Disbursements</b>				
Current:				
Human Services	10,334,832	10,687,106	9,491,358	1,195,748
Capital Outlay	76,000	23,726	11,570	12,156
<i>Total Disbursements</i>	<u>10,410,832</u>	<u>10,710,832</u>	<u>9,502,928</u>	<u>1,207,904</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(321,832)	(321,832)	(281,566)	40,266
<b>Other Financing Source</b>				
Transfers In	0	0	156,292	156,292
<i>Net Change in Fund Balance</i>	(321,832)	(321,832)	(125,274)	196,558
Fund Balance at Beginning of Year	<u>321,832</u>	<u>321,832</u>	<u>321,832</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$196,558</u>	<u>\$196,558</u>

See accompanying notes to the basic financial statements

**Guernsey County, Ohio**  
**Statement of Cash Receipts, Disbursements and Change in**  
**Cash Basis Fund Balance - Budget and Actual (Budget Basis)**  
**Motor Vehicle and Gasoline Tax Fund**  
**For the Year Ended December 31, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Permissive Motor Vehicle License Tax	\$135,000	\$135,000	\$144,995	\$9,995
Fines and Forfeitures	250,000	250,000	179,362	(70,638)
Intergovernmental	3,740,500	3,740,500	4,015,798	275,298
Interest	3,000	3,000	25,808	22,808
Other	0	0	193	193
<i>Total Receipts</i>	<u>4,128,500</u>	<u>4,128,500</u>	<u>4,366,156</u>	<u>237,656</u>
<b>Disbursements</b>				
Current:				
Public Works	4,971,003	5,043,209	3,920,112	1,123,097
Capital Outlay	340,000	340,000	325,651	14,349
<i>Total Disbursements</i>	<u>5,311,003</u>	<u>5,383,209</u>	<u>4,245,763</u>	<u>14,349</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,182,503)</u>	<u>(1,254,709)</u>	<u>120,393</u>	<u>1,375,102</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	23,521	164,814	164,814	0
Transfers Out	0	(69,087)	(69,087)	0
<i>Total Other Financing Sources (Uses)</i>	<u>23,521</u>	<u>95,727</u>	<u>95,727</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(1,158,982)	(1,158,982)	216,120	1,375,102
Fund Balance at Beginning of Year	<u>1,158,982</u>	<u>1,158,982</u>	<u>1,158,982</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$1,375,102</u>	<u>\$1,375,102</u>

See accompanying notes to the basic financial statements

**Guernsey County, Ohio**  
**Statement in Cash Receipts, Disbursements and Change in**  
**Cash Basis Fund Balance - Budget and Actual (Budget Basis)**  
**Mental Retardation and Developmental Disabilities Fund**  
**For the Year Ended December 31, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property Taxes	\$1,965,324	\$1,965,324	\$2,256,571	\$291,247
Charges for Services	110,150	60,575	300,870	240,295
Intergovernmental	2,114,903	1,693,452	2,782,566	1,089,114
Contributions and Donations	13,000	13,000	120	(12,880)
Other	19,592	19,592	36,164	16,572
<i>Total Receipts</i>	4,222,969	3,751,943	5,376,291	1,624,348
<b>Disbursements</b>				
Current:				
Health	5,086,081	5,169,410	3,998,907	1,170,503
Capital Outlay	120,621	113,621	3,042	110,579
<i>Total Disbursements</i>	5,206,702	5,283,031	4,001,949	1,281,082
<i>Net Change in Fund Balance</i>	(983,733)	(1,531,088)	1,374,342	2,905,430
Fund Balance at Beginning of Year	6,783,044	6,783,044	6,783,044	0
<i>Fund Balance at End of Year</i>	\$5,799,311	\$5,251,956	\$8,157,386	\$2,905,430

See accompanying notes to the basic financial statements

**Guernsey County, Ohio**  
**Statement of Cash Receipts, Disbursements and Change in**  
**Cash Basis Fund Balance - Budget and Actual (Budget Basis)**  
**Children Services Fund**  
**For the Year Ended December 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property Taxes	\$922,365	\$922,365	\$1,050,700	\$128,335
Charges for Services	32,000	32,000	12,652	(19,348)
Intergovernmental	1,590,826	1,590,826	2,258,845	668,019
Interest	1,000	1,000	2,859	1,859
Contributions and Donations	500	500	14,926	14,426
Other	1,600	1,600	9,391	7,791
<i>Total Receipts</i>	<u>2,548,291</u>	<u>2,548,291</u>	<u>3,349,373</u>	<u>801,082</u>
<b>Disbursements</b>				
Current:				
Human Services	4,474,804	4,251,711	3,029,737	1,221,974
<i>Total Disbursements</i>	<u>4,474,804</u>	<u>4,251,711</u>	<u>3,029,737</u>	<u>1,221,974</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(1,926,513)	(1,703,420)	319,636	2,023,056
<b>Other Financing Use</b>				
Transfers Out	0	(223,093)	(223,093)	0
<i>Net Change in Fund Balance</i>	(1,926,513)	(1,926,513)	96,543	2,023,056
Fund Balance at Beginning of Year	1,926,513	1,926,513	1,926,513	0
<i>Fund Balance at End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$2,023,056</u>	<u>\$2,023,056</u>

See accompanying notes to the basic financial statements

**Guernsey County, Ohio**  
**Statement of Fund Net Assets - Modified Cash Basis**  
**Proprietary Funds**  
**December 31, 2006**

	<u>Business - Type Activities - Enterprise Funds</u>			Governmental Activities- Internal Service Fund
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	<u>\$129,214</u>	<u>\$364,137</u>	<u>\$493,351</u>	<u>\$417,326</u>
<b>Net Assets</b>				
Unrestricted	<u>\$129,214</u>	<u>\$364,137</u>	<u>\$493,351</u>	<u>\$417,326</u>

See accompanying notes to the basic financial statements

**Guernsey County, Ohio**  
**Statement of Cash Receipts, Disbursements, and Changes in Fund Net Assets - Modified Cash Basis**  
**Proprietary Funds**  
**For the Year Ended December 31, 2006**

	<u>Business Type Activities - Enterprise Funds</u>			Governmental Activities- Internal Service Fund
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	
<b>Operating Receipts</b>				
Charges for Services	\$219,276	\$1,798,288	\$2,017,564	\$3,317,583
Tap-In Fees	750	32,000	32,750	0
<i>Total Operating Receipts</i>	<u>220,026</u>	<u>1,830,288</u>	<u>2,050,314</u>	<u>3,317,583</u>
<b>Operating Disbursements</b>				
Personal Services	92,844	484,264	577,108	0
Contractual Services	77,084	938,304	1,015,388	251,533
Materials and Supplies	10,251	138,693	148,944	0
Claims	0	0	0	3,006,568
Capital Outlay	12,059	23,834	35,893	0
Other	26,761	54,199	80,960	0
<i>Total Operating Disbursements</i>	<u>218,999</u>	<u>1,639,294</u>	<u>1,858,293</u>	<u>3,258,101</u>
<i>Operating Income (Loss)</i>	<u>1,027</u>	<u>190,994</u>	<u>192,021</u>	<u>59,482</u>
<b>Non-Operating Receipts (Disbursements)</b>				
Proceeds from OWDA Loans	34,150	7,793	41,943	0
Other Non-Operating Revenues	10	5,873	5,883	0
Principal Retirements	0	(134,692)	(134,692)	0
Interest and Fiscal Charges	(34,150)	(64,401)	(98,551)	0
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>10</u>	<u>(185,427)</u>	<u>(185,417)</u>	<u>0</u>
<i>Income (Loss) Before Transfers</i>	1,037	5,567	6,604	59,482
Transfers In	6,078	10,299	16,377	0
Transfers Out	0	(75,000)	(75,000)	0
<i>Change in Net Assets</i>	7,115	(59,134)	(52,019)	59,482
Net Assets Beginning of Year	<u>122,099</u>	<u>423,271</u>	<u>545,370</u>	<u>357,844</u>
<i>Net Assets End of Year</i>	<u>\$129,214</u>	<u>\$364,137</u>	<u>\$493,351</u>	<u>\$417,326</u>

See accompanying notes to the basic financial statements

**Guernsey County, Ohio**  
**Statement of Fiduciary Assets and Liabilities - Modified Cash Basis**  
**Agency Funds**  
**December 31, 2006**

<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,029,923</u>
<i>Total Assets</i>	<u><u>\$2,029,923</u></u>
<b>Liabilities</b>	
Due to Other Governments	\$1,362,268
Undistributed Monies	<u>667,655</u>
<i>Total Liabilities</i>	<u><u>\$2,029,923</u></u>

See accompanying notes to the basic financial statements

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2006

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**Note 1 - Reporting Entity**

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

The County utilizes the standards of Governmental Accounting Standards Board Statement 14 for determining the reporting entity. The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements of the County are not misleading.

**A. Primary Government**

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the County. For Guernsey County, this includes the Board of Mental Retardation and Developmental Disabilities (MRDD); Children Services 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.

**B. Component Units**

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. The County is also financially accountable for any organizations that are fiscally dependent on the County in that the County approves their budget, the issuance of their debt, or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the County, are accessible to the County and are significant in amount to the County.

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

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

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2006

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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 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.

A jointly governed organization is a regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that create the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility. The County participates in several jointly governed organizations and public entity risk pools. These organizations are presented in Notes 15, 16 and 17 to the basic financial statements. These organizations are:

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

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2006

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

**Note 2 - Summary of Significant Accounting Policies**

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The County does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the County's accounting policies.

**A. Basis of Presentation**

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

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the County that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and cash disbursements.

The statement of net assets presents the cash balance of the governmental and business-type activities of the County at year end. The statement of activities compares disbursements and program receipts for each program or function of the County's governmental activities and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the County is responsible. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program.

Receipts which are not classified as program receipts are presented as general receipts of the County, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program or business activity is self-financing on a modified cash basis or draws from the general receipts of the County.

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2006

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Fund Financial Statements

During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund financial statements. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

The County uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the County are presented in three categories: governmental, proprietary, and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the County are financed. The following are the County's major governmental funds:

General - The General Fund accounts for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.

Public Assistance – To account 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) – 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.

Mental Retardation and Developmental Disabilities (MRDD) – 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.

Children Services – 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 from troubled families.

The other governmental funds of the County account for grants and other resources whose use is restricted for a particular purpose.

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2006

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Proprietary Funds

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

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the County's major 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 – To 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 County's internal service fund accounts for monies received for the activities of the self insurance program for employee health benefits.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are not available to support the County's own programs. Agency funds are purely custodial in nature and are used to account for assets held by the County for political subdivisions for which the County acts as fiscal agent and for taxes, state-levied shared revenues, and fines and forfeitures collected and distributed to other political subdivisions.

C. Basis of Accounting

The County's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the County's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the County are described in the appropriate section in this note.

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

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2006

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D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the County Commissioners may appropriate. The appropriations resolution is the County Commissioners' authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the County Commissioners. The legal level of control has been established by the County Commissioners at the fund, program, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the County Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the County Commissioners.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the County Commissioners during the year.

E. Cash and Investments

To improve cash management, cash received by the County, except cash held by a fiscal agent, is pooled and invested. Individual fund integrity is maintained through County records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Cash and cash equivalents that are held separately within departments of the County are recorded as "Cash and Cash Equivalents with Fiscal Agents".

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

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

During 2006, the County invested in STAR Ohio, federal agency securities, county bonds, and nonnegotiable certificates of deposit. Investments are reported at cost, except for STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2006.

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2006

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Interest earnings are allocated to County funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2006 were \$644,383 which includes \$618,236 assigned from other County funds.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Interfund Receivables/Payables

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

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the County's modified cash basis of accounting.

K. Employer Contributions to Cost-Sharing Pension Plans

The County recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

The County's modified cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither other financing source nor capital outlay are reported at inception. Lease payments are reported when paid.

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2006

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M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes primarily include activities involving the upkeep of the County's roads and bridges, various mental health services, child support and welfare services, services for the handicapped and mentally retarded, and activities of the County's courts. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

The government-wide statement of net assets reports \$14,632,278 of restricted net assets, of which none is restricted by enabling legislation.

N. Fund Balance Reserves

The County reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances and unclaimed monies. Reserve for unclaimed monies is established because by law, unclaimed monies are not available for appropriation until they have remained unclaimed for five years.

O. Interfund Transactions

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

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

**Note 3 - Compliance**

Ohio Administrative Code, section 117-2-03 (B), requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, the County prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The County can be fined and various other administrative remedies may be taken against the County.

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2006

**Note 4 - Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Cash Receipts, Disbursements and Change in Cash Basis Fund Balance – (Budget Basis) for the General Fund and each major special revenue fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budgetary basis and the modified cash basis are as follows:

1. Outstanding year end encumbrances are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (modified cash basis).
2. Unrecorded cash and unrecorded interest are reported on the balance sheet (modified cash basis) but not on the budgetary basis.
3. Cash that is held by the agency funds on behalf of County funds on a budget basis are allocated and reported on the balance sheet (modified cash 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 Modified cash basis are as follows:

	General	Public Assistance	MVGT	MRDD	Children Services
Modified Cash Basis	\$354,714	(\$125,274)	\$243,774	\$1,399,853	\$105,483
Beginning of Year:					
Agency Fund Cash Allocation	58,300	0	0	134,538	44,846
Unrecorded Cash	8,957	0	1,629	260	948
End of Year:					
Agency Fund Cash Allocation	(69,467)	0	0	(160,309)	(53,436)
Unrecorded Cash	(13,087)	0	(3,121)	0	(1,298)
Interest Posting Error	61,836	0	0	0	0
Encumbrances	(40,895)	0	(26,162)	0	0
Budget Basis	<u>\$360,358</u>	<u>(\$125,274)</u>	<u>\$216,120</u>	<u>\$1,374,342</u>	<u>\$96,543</u>

**Note 5 - Deposits and Investments**

Monies held by the County are classified by State statute into two categories, active and inactive. Active monies are public deposits necessary to meet current demands upon the County treasury. Active monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2006

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

Deposits held by the County which are not considered active, are classified as inactive. Beginning June 15, 2004, inactive monies may be deposited or invested in the following securities provided the County has filed a written investment policy with the Ohio Auditor of State:

1. United States Treasury Bills, Bonds, Notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States, or any book entry, zero-coupon United States treasury security that is a direct obligation of the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal governmental agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above, and repurchase agreements secured by such obligations, provided that these investments are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange either securities or cash, equal value for equal value;
9. Commercial paper notes, corporate notes and bankers' acceptances; and
10. Debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government.

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2006

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Repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Bankers' acceptances must mature within 180 days. Commercial paper and corporate notes must mature within 270 days. All other investments must mature within five years from the date of settlement unless matched to a specific obligation or debt of the County. Investments must be purchased with the expectation that they will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

#### Cash on Hand

At year end, the County had \$20,904 of undeposited cash on hand, which is included on the financial statements of the County as part of "Equity in Pooled Cash and Cash Equivalents".

#### Deposits

**Custodial Credit Risk** Custodial Credit Risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, \$3,167,933 of the County's bank balance of \$3,468,376 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had not been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

The County has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the County or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

At December 31, 2006, the County's MRDD special revenue fund had a cash balance of \$1,161,202 with MEORC, a jointly governed organization (See Note 15). The money is held by MEORC in a pooled account which is representative of numerous entities and therefore cannot be classified by risk under GASB Statement 3. The classification of cash and cash equivalents and investments for MEORC as a whole may be obtained from their audit report. To obtain information, write to Mid East Ohio Regional Council, Cathy Henthorn, who serves as Associate Director of Business, 160 Columbus Road, Mt. Vernon, Ohio 43050.

#### Investments

At December 31, 2006, the County had the following investments. All investments are in an internal investment pool.

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2006

	Fair Value	Maturity	Percent of Total Investments	Rating	Rating Agency
Guernsey County General					
Obligation Bonds	\$144,716	11/1/2007 -12/1/2020	1.03%	N/A	N/A
STAR Ohio	760,176	35 days	5.42%	AAAm	S&P
Federal Home Loan Mortgage					
Corporation Notes	5,094,812	8/15/2007-8/15/2011	36.31%	AAA	Moody's
Federal Home Loan Bank Bonds	6,749,781	1/9/2007-12/29/2011	48.11%	AAA	Moody's
Federal National Mortgage					
Association Notes	1,281,321	1/26/2007-11/15/2011	9.13%	AAA	Moody's
Total	<u>\$14,030,806</u>		<u>100.00%</u>		

**Interest Rate Risk** The County has no investment policy that addresses interest rate risk beyond the requirements of State statute. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the County, and that an investment must be purchased with the expectation that it will be held to maturity. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

**Credit Risk** The County has no investment policy that addresses credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of the purchase by at least one nationally recognized standard rating service.

**Custodial Credit Risk** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has no investment policy dealing with investment custodial credit risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

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

**Note 6 - Permissive Sales and Use Tax**

On February 27, 1989, the County Commissioners adopted a resolution which imposed a one quarter of one percent Permissive Sales Tax (Piggy Back Tax). The sales tax came into effect on April 1, 1992, and expired on April 1, 1993. This sales tax was renewed for two consecutive one-year terms and expired on April 1, 1995. On August 1, 1993, the County Commissioners adopted a resolution which imposed an additional one-quarter of one percent Permissive Sales Tax bringing the total Permissive Sales Tax to one-half of one percent. On February 22, 1995, the County Commissioners adopted a resolution to combine the two one-quarter of one percent Permissive Sales Taxes to a one-half of one percent tax. On January 19, 2005, the County Commissioners passed a resolution making the sales tax permanent. The revenues generated from the sales tax are used for the purpose of providing additional revenue for the County's General Fund and Bond Retirement Debt Service Fund.

Guernsey County, Ohio  
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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.

**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 2006 for real and public utility property taxes represents collections of 2005 taxes. Property tax payments received during 2006 for tangible personal property (other than public utility property) is for 2006 taxes.

2006 real property taxes are levied after October 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values are established by State statute at 35 percent of appraised market value. 2006 real property taxes are collected in and intended to finance 2007.

2006 tangible personal property taxes are levied after October 1, 2005, on the value as of December 31, 2005. Collections are made in 2006. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

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, the first payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected. The collection and distribution of taxes for all subdivisions within the County, excluding the County itself, is accounted for through agency funds. The amount of the County's tax collections is accounted for within the applicable funds.

The full tax rate for all County operations for the year ended December 31, 2006, was \$12.70 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	\$522,338,620
Tangible Personal Property	41,798,670
Public Utility Personal Property	48,240,900
Total Assessed Property Value	<u><u>\$612,378,190</u></u>

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2006

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**Note 8 - Risk Management**

The County is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; employee injuries, and natural disasters. By contracting with the County Risk Sharing Authority (CORSA) for liability, property, and crime insurance, the County has addressed these various types of risk.

CORSA, a non-profit corporation sponsored by the County Commissioners Association of Ohio, was created to provide affordable liability, property, casualty and crime insurance coverage for its members. CORSA was established May 12, 1987, and has grown to sixty members.

Under the CORSA program for general liability, auto liability, error and omission for public officials, and law enforcement liability, the County has \$1,000,000 of total liability coverage for each loss. Each of these areas contains a \$2,500 member deductible amount. Property damage is covered for \$56,636,820, equipment breakdown coverage is covered for \$100,000,000 and crime insurance is covered for \$1,000,000 for each occurrence.

In addition, the County maintains replacement cost insurance through CORSA on other property including the following: \$1,000,000 for valuable papers and extra expenses, \$250,000 for unintentional omissions, \$100,000,000 for flood and earthquake damage, and \$1,000,000 debris removal.

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

The amounts of settlements have not exceeded commercial coverage in any of the past 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 Central Benefits to provide employees with medical, dental, and prescription insurance through a self-insurance program. The County maintains a self-insurance internal service fund to account for and finance its uninsured risks of loss on this program.

For 2006, the County participated in the County Commissioners Association of Ohio Service Corporation Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. (See Note 16) The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings that accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. For the County, a savings of approximately \$3,119 was realized on the annual premium cost. Participation in the Plan is limited to counties that can meet the Plan's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control, and actuarial services to the Plan. Each year, the County pays an enrollment fee to the Plan to cover the costs of administering the program.

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
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The County may withdraw from the Plan if written notice is provided sixty days prior to the prescribed application deadline of the Ohio Bureau of Workers' Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the Plan prior to withdrawal, and any participant leaving the Plan allows the representative of the Plan to access loss experience for three years following the last year of participation.

**Note 9 - Defined Benefit Pension Plans**

**A. Ohio Public Employees Retirement System**

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

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

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement participating in the traditional plan, were required to contribute 9 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary. The County's contribution rate for pension benefits for 2006 was 9.2 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 12.43 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$1,580,262, \$1,622,934, and \$1,401,382, respectively. The full amount has been contributed for 2006, 2005 and 2004. Contributions to the member-directed plan for 2006 were \$19,378 made by the County and \$12,730 made by plan members.

**B. State Teachers Retirement System**

Certified teachers employed by the school for the Mental Retarded/Developmentally Disabled participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2006

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

For year ended December 31, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2006, 2005, and 2004 were \$12,777, \$14,205, and \$20,192, respectively. The full amount has been contributed for fiscal year 2006, 2005 and 2004. For fiscal year 2006, the County did not have any employees participating in either the DC or Combined Plans.

#### **Note 10 - Postemployment Benefits**

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

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 with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll (16.93 percent for public safety and law enforcement); 4.50 percent was the portion that was used to fund health care.

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
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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, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 6.00 percent annually for the next eight years and 4.00 percent annually after nine years.

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 annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. The County's actual contributions for 2006 which were used to fund postemployment benefits were \$749,408. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

#### B. State Teachers Retirement System

The Mental Retardation and Developmental Disabilities Board provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. The system is funded on a pay-as-you-go basis.

All STRS Ohio retirees who participate in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the County, this amount equaled \$983 for 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. For the year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2006

**Note 11 - Debt**

The County's debt activity for the year ended December 31, 2006, was as follows:

	Outstanding 12/31/2005	Additions	Reductions	Outstanding 12/31/2006	Amounts Due Within One Year
<b><u>Governmental Activities:</u></b>					
<i>Special Assessment Bonds:</i>					
Rolling Hills Paving - 1988, \$202,900, 6.375%	\$48,400	\$0	\$15,200	\$33,200	\$16,100
Rolling Hills Paving II - 1988, \$76,100, 6.375%	12,992	0	5,700	7,292	6,000
Northgate Sewer - 1988, \$178,900, 7.25%	18,000	0	9,000	9,000	9,000
Stop Nine Sanitary Sewer - 1993, \$559,200, 5%	51,700	0	900	50,800	900
Sundew and Zane Waterline - 1996, \$84,000, 4.95%	60,235	0	3,951	56,284	4,146
Cedar Hills Sewer - 1996, \$171,785, 4.95%	109,682	0	8,753	100,929	9,186
Eastmoor Sanitary Sewer - 1998, \$186,000, 4.5%	139,000	0	8,100	130,900	8,500
Wolf's Den Road Waterline - 2000, \$63,880, 6%	47,910	0	3,194	44,716	3,194
State Route 313 Sewer - 2006, \$200,000, 4.20-5.25%	0	200,000	0	200,000	5,000
<i>Total Special Assessment Bonds</i>	<u>487,919</u>	<u>200,000</u>	<u>54,798</u>	<u>633,121</u>	<u>62,026</u>

(continued)

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2006

(continued)

	Outstanding 12/31/2005	Additions	Reductions	Outstanding 12/31/2006	Amounts Due Within One Year
<b><u>Governmental Activities:</u></b>					
<i>General Obligation Bonds:</i>					
Rolling Hills Paving II - 1998, \$5,108, 6.375%	5,108	0	0	5,108	0
Various Purpose Refunding and Improvement Serial Bonds - 2003 2.00%-5.00% - \$7,260,000	5,525,000	0	585,000	4,940,000	605,000
Various Purpose Refunding and Improvement Term Bonds - 2003 2.00%-5.00% - \$3,825,000	3,825,000	0	0	3,825,000	0
Public Improvement - 1996, \$124,959, 4.95%	91,523	0	8,737	82,786	6,668
<i>Total General Obligation Bonds</i>	<u>9,446,631</u>	<u>0</u>	<u>593,737</u>	<u>8,852,894</u>	<u>611,668</u>
 <i>Long-Term Notes</i>					
Engineers Garage Bond Anticipation Note, Series 2006, \$305,000, 4.25%	0	305,000	0	305,000	0
Engineers Garage Bond Anticipation Note, Series 2005, \$355,000, 2.81%	355,000	0	355,000	0	0
Waterline Construction Bond Anticipation Note, Series 2005, \$850,000, 4.25%	425,000	0	425,000	0	0
Ohio State University Extension Building Series 2006, \$100,000, 5.50%	0	100,000	0	100,000	0
<i>Total Long-Term Notes</i>	<u>780,000</u>	<u>405,000</u>	<u>780,000</u>	<u>405,000</u>	<u>0</u>
 <i>OPWC Notes:</i>					
OPWC Promissory Note - 1999, \$30,670, 0%	9,201	0	3,067	6,134	3,067
OPWC Promissory Note - 2000, \$60,200, 0%	24,080	0	6,020	18,060	6,020
<i>Total OPWC Notes</i>	<u>33,281</u>	<u>0</u>	<u>9,087</u>	<u>24,194</u>	<u>9,087</u>
 <b>Total Governmental Activities</b>	 <u>\$10,747,831</u>	 <u>\$605,000</u>	 <u>\$1,437,622</u>	 <u>\$9,915,209</u>	 <u>\$682,781</u>
 <b><u>Business-Type Activities:</u></b>					
<i>General Obligation Bonds</i>					
Kimbolton Waterline - 1992, \$142,000, 5.75%	\$102,600	\$0	\$2,000	\$100,600	\$2,100
North Salem Waterline - 1994, \$450,000, 5%	364,400	0	7,200	357,200	7,600
County Water Building, - 1996, \$110,000, 4.95%	13,560	0	13,560	0	0
<i>Total General Obligation Bonds</i>	<u>480,560</u>	<u>0</u>	<u>22,760</u>	<u>457,800</u>	<u>9,700</u>
 Water Fund OWDA - 1989,\$1,444,319, 7.89%	430,594	0	111,932	318,662	120,763
Water Fund OWDA - 2006,\$577,793, 2.00%	0	7,793	0	7,793	0
Sewer Fund OWDA - 2002,\$457,007, 5.65%	436,456	34,150	0	470,606	0
Total OWDA Loans	<u>867,050</u>	<u>41,943</u>	<u>111,932</u>	<u>797,061</u>	<u>120,763</u>
 <b>Total Business-Type Activities</b>	 <u>\$1,347,610</u>	 <u>\$41,943</u>	 <u>\$134,692</u>	 <u>\$1,247,068</u>	 <u>\$130,463</u>

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2006

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**Governmental Activities:**

***Special Assessment Bonds*** – As of December 31, 2006, the County has \$633,121 in special assessment bonded debt outstanding. The debt is being repaid from the Special Assessment Bond Retirement Debt Service Fund with proceeds of special assessments levied against benefited property owners. In the event the property owners do not pay their assessments, the County would be responsible for the debt service payment. During 2006, the County issued special assessment bonds in the amount of \$200,000 for the State Route 313 sewer project. The State Route 313 sewer project bonds were issued with a discount of \$4,200. Principal and interest requirements to retire the special assessment bonds outstanding at December 31, 2006 are as follows:

Year Ending December 31	Principal	Interest	Total
2007	\$62,026	\$37,125	\$99,151
2008	50,478	28,141	78,619
2009	33,079	23,275	56,354
2010	34,406	23,454	57,860
2011	35,568	21,767	57,335
2012-2016	213,788	80,826	294,614
2017-2021	98,076	39,791	137,867
2022-2026	85,700	18,478	104,178
2027-2031	13,500	3,720	17,220
2032-2033	6,500	490	6,990
Totals	<u>\$633,121</u>	<u>\$277,067</u>	<u>\$910,188</u>

***General Obligation Bonds*** – As of December 31, 2006, the County has \$9,446,631 in general obligation bonded debt outstanding that is being retired by the Bond Retirement Debt Service Fund.

On November 20, 1996, the County issued \$124,959 of general obligation bonds. The bonds were issued for a 20 year period with final maturity at December 1, 2016. The bond issue is being retired from rental income from the Department of Job and Family Services.

On April 15, 2003, the County issued \$11,085,000 of various purpose refunding and improvement general obligation bonds that consisted of \$7,260,000 in serial bonds and \$3,825,000 in term bonds with varying interest rates from 2.00% to 5.00%. \$4,960,000 was used to refund the 1992 Public Improvement Bonds in the amount of \$4,690,000. \$1,545,000 was used to retire the outstanding amount of bond anticipation notes, and the remainder of the bond issue was used to make additional improvements to the County administrative and courthouse buildings and to make permanent improvements to the County's water system. The general obligation bonds were sold at a premium of \$54,817 that will be amortized over the life of the bonds using the straight-line method. Issuance costs associated with the bond issue in the amount of \$267,394 are deferred and will be amortized over the life of the bonds using the straight-line method.

The bonds are being retired from property tax revenues. The bonds are subject to mandatory and optional redemption as follows:

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2006

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**Mandatory Redemption:**

The bonds maturing on December 1, 2023 (the 2023 Term Bonds) and 2028 (the 2028 Term Bonds, and together with the 2023 Term Bonds, collectively, the Term Bonds) are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the Authorizing Legislation. That mandatory redemption is to occur on December 1, in each of the years illustrated below at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedules:

2023 Term Bonds		2028 Term Bonds	
Year	Amount	Year	Amount
2018	\$395,000	2024	\$210,000
2019	415,000	2025	215,000
2020	435,000	2026	225,000
2021	460,000	2027	235,000
2022	480,000	Total	\$885,000
Total	\$2,185,000		

The balance of the principal amounts of the Term Bonds will be paid at stated maturity in the following amounts: 2023 Term Bonds - \$505,000 on December 1, 2023; and 2028 Term Bonds - \$250,000 on December 1, 2028.

**Optional Redemption:**

The Bonds maturing after December 1, 2012 are subject to prior redemption on or after December 1, 2012 by and at the sole option of the County, either in whole on any date or in part (as selected by the County) on any date and in integral multiples of \$5,000, at par, plus accrued interest to the redemption date.

Principal and interest requirements to retire the general obligation bonds outstanding at December 31, 2006 are as follows:

Year Ending December 31	Principal	Interest
2007	\$611,668	\$367,119
2008	641,116	352,874
2009	530,315	335,882
2010	554,589	319,869
2011	578,826	294,891
2012-2016	1,731,380	1,233,363
2017-2021	2,085,000	822,477
2022-2026	1,635,000	301,300
2027-2028	485,000	33,069
Totals	\$8,852,894	\$4,060,844

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2006

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**Long-Term Notes** – On February 7, 2006, the County issued \$305,000 in a long-term note that was used to refund a portion of the \$355,000 Engineer’s Garage note outstanding at December 31, 2005. The original bond anticipation note was issued for the purpose of constructing, furnishing, and equipping a building to house county road machinery, supplies, and personnel associated with the machinery and supplies. This bond anticipation note is backed by the full faith and credit of the County. The note will be retired from the issuance of bonds. This Engineer’s Garage bond anticipation note matures on February 8, 2007 along with interest payable at 2.81% of the principal amount. The bond was issued with a premium of \$2,202.

On November 30, 2005, the County issued \$425,000 in a long-term note that was used to refund a portion of the \$900,000 Waterline Construction note outstanding at December 31, 2004. The original bond anticipation note was issued for the purpose of constructing a waterline within the public right-of-way. This bond anticipation note is backed by the full faith and credit of the County. The note will be retired from the issuance of bonds. This Waterline bond anticipation note matured on May 31, 2006 along with interest payable at 4.25% of the principal amount.

On October 30, 2006, the County issued \$100,000 in a long-term note that was used to construct an office building for the Ohio State University Extension Services. This bond anticipation note is backed by the full faith and credit of the County. The note will be retired from the issuance of bonds. This bond anticipation note matures on November 1, 2007 along with interest payable at 5.50% of the principal amount. The bonds were issued with a premium of \$2,563.

**OPWC Notes** – As of December 31, 2006, the County has \$24,194 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 Bond Retirement Debt Service Fund. These notes are interest free. Principal requirements to retire the OPWC notes outstanding at December 31, 2006 are as follows:

Year Ending	
December 31	Principal
2007	\$9,087
2008	9,087
2009	6,020
Totals	<u>\$24,194</u>

**Business -Type Activities:**

**General Obligation Bonds** – As of December 31, 2006, the County has \$457,800 in general obligation bonded debt outstanding. The bonds were issued to construct lines and a building associated with the County water system. These bonds will be repaid from revenues derived by the County from the operation of the water system.

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2006

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Principal requirements to retire the general obligation bonds outstanding at December 31, 2006 are as follows:

Year Ending December 31	Principal	Interest
2007	\$9,700	\$23,352
2008	10,300	25,851
2009	10,700	25,319
2010	11,300	24,766
2011	11,900	24,182
2012-2016	69,300	111,032
2017-2021	89,200	91,156
2022-2026	114,500	64,575
2027-2031	130,900	34,408
Totals	\$457,800	\$424,641

**OWDA Loans** – The County has issued OWDA Loans for a water project and a sewer project. These loans will be repaid by the Water Enterprise Fund and the Sewer Enterprise Fund from revenues derived by the County from the operation of these systems.

An amortization schedule for the Sewer Enterprise Fund will not be available until the entire amount of the loan has been drawn down or until the project is complete. Principal and interest requirements to retire the Water Enterprise Fund OWDA loan outstanding at December 31, 2006 are as follows:

Year Ending December 31	Principal	Interest
2007	\$120,763	\$25,143
2008	130,291	615
2009	67,608	5,341
Totals	\$318,662	\$31,099

The Ohio Revised Code provides that net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 1 percent of the total assessed valuation of the County. The Revised Code further provides that total voted and unvoted net debt of the County less the same exempt debt shall never exceed a sum equal to 3 percent of the first \$100,000,000 of assessed valuation, plus 1.5 percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus 2.5 percent of such valuation in excess of \$300,000,000. The effects of the debt limitations at December 31, 2006, were an overall debt margin of \$2,869,996.

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2006

**Note 12 - Interfund Transfers**

During 2006 the following transfers were made:

		Transfers Out Governmental Activities					
		Motor					
		Vehicle and	Children	Other Nonmajor			
Transfers In	Major Funds	General	Gasoline Tax	Services	Governmental	Water	Total
	General	\$0	\$0	\$0	\$1,019	\$0	\$1,019
	Public Assistance	156,292	0	0	0	0	156,292
	Motor Vehicle and Gasoline Tax	23,521	0	0	141,293	0	164,814
	Other Nonmajor Governmental	321,121	69,087	223,093	230,801	75,000	919,102
	Sewer Enterprise	6,078	0	0	0	0	6,078
	Water Enterprise Fund	10,299	0	0	0	0	10,299
	<b>Total</b>	<b>517,311</b>	<b>69,087</b>	<b>223,093</b>	<b>373,113</b>	<b>75,000</b>	<b>1,257,604</b>

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

**Note 13 - Federal Food Stamp Program**

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

**Note 14 - Construction and Contractual Commitments**

As of December 31, 2006, the County had the following contractual purchase commitments:

Project	Fund	Purchase Commitment	Amounts Paid as of 12/31/2006	Amounts Remaining on Contracts
1998 - 2003 Valuations	Real Estate Assessment	\$593,800	\$565,800	\$28,000

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2006

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**Note 15 - Jointly Governed Organizations**

**A. SouthEastern Ohio Joint Solid Waste Management District**

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

The District is governed and operated through three groups. An eighteen member board of directors, comprised of three commissioners from each county, is responsible for the District's financial matters. Financial records were maintained by Muskingum County until May 1993 at which time Noble County assumed the responsibility. The District's sole revenue source is a waste disposal fee for in-district and out-of-district waste. Although the County contributed amounts to the District at the time of its creation, no contributions were received from the County in 2006. No future contributions by the County are anticipated. A thirty-one member policy committee, comprised of five members from each county and one at-large member appointed by the policy committee, is responsible for preparing the solid waste management plan of the District in conjunction with a Technical Advisory Council whose members are appointed by the policy committee. Continued existence of the District is not dependent on the County's continued participation, no equity interest exists, and no debt is outstanding.

**B. Guernsey-Monroe-Noble Community Action Corporation (GMN)**

The Guernsey-Monroe-Noble Community Action Corporation (GMN) is a non-profit organization formed to plan, conduct, and coordinate programs designed to combat social and economic problems and to help eliminate conditions of poverty within Guernsey, Monroe, and Noble Counties. The agency is governed by an eighteen member board which consists of three commissioners from each county, three business owners from each county, and three low income individuals elected by each county. The three business owners are nominated by other local business owners and the three low income individuals are nominated by local town council meetings. The agency receives federal and state monies which are applied for and received by, and in the name of, the Board of Directors. Continued existence of the Community Action Agency is not dependent upon the County's continued participation, nor does the County have an equity interest in the agency. The agency is not accumulating significant financial resources and is not experiencing fiscal distress that may cause an additional financial benefit to or burden on the County. During 2006, the County made no contributions to the Guernsey-Monroe-Noble Community Action Corporation.

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

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

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2006

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A Board of Trustees has been created whose members are appointed by the juvenile judges of which Belmont County has three appointees, and Jefferson, Guernsey, Harrison, Monroe, and Noble Counties each have one appointee. The facility is located on property now owned by Belmont County. Policies, procedures and the operating budget are approved by the Judicial Rehabilitation Board. The Board is not dependent upon Guernsey County for its continued existence, no debt exists, and the County does not have an equity interest in or a financial responsibility for the Board. During 2006, the County made no contributions to SEOJRD.

D. Guernsey County Family Service Council

The Guernsey County Family Service Council/fc 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 2006, the County made \$2,400 in in-kind 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.

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 2006, 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.

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2006

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Each member's control over the operation of SENT is limited to its representation of the Board. During 2006, Guernsey County made no contributions to SENT.

G. Mid East Ohio Regional Council of Governments (MEORC)

The Mid East Ohio Regional Council of Governments (MEORC) is a jointly governed organization which serves fourteen counties in Ohio. MEORC provides services to the mentally retarded and developmentally disabled residents in the participating counties. MEORC is made up of the superintendents of each county's Board of Mental Retardation and Developmental Disabilities. Revenues are generated by fees and state grants. Continued existence of MEORC is not dependent on the County's continued participation. The County has no equity interest in, or financial responsibility for the MEORC. MEORC has no outstanding debt. During 2006, Guernsey County voluntarily contributed \$12,854 to MEORC.

H. Ohio Mid-Eastern Governments Association (OMEGA)

Ohio Mid-Eastern Governments Association (OMEGA) is organized as an agency of the local governments by agreement among the membership. OMEGA is comprised of Belmont, Carroll, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Tuscarawas, and Columbiana Counties and other political subdivisions in the counties. OMEGA was formed to aid and assist the participating counties in the application for Appalachian Regional Commission and Economic Development grant monies. OMEGA's governing board is comprised of a total of three members from each county which appoints an executive board consisting of one person from each member county to supervise the administrative functions of OMEGA. The executive board elects officers, appoints an executive director and its own fiscal officer. The Board exercises total control, including budgeting, appropriating, contracting, and designating management. The continued existence of OMEGA is not dependent on the County's continued participation. The County has no equity interest in, or financial responsibility for the OMEGA. OMEGA has no outstanding debt. During 2006, the County made no contribution 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 2006, the County made a contribution of \$9,000 to the Cambridge Guernsey County Visitors and Convention Bureau.

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2006

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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 2006, the County made no contributions to the Area Office on Aging.

K. Eastern Ohio Correctional Center (EOCC)

The Eastern Ohio Correctional Center (EOCC) is a six county facility created pursuant to the Ohio Revised Code Section 2301.51. EOCC serves Belmont, Carroll, Columbiana, Guernsey, Harrison, and Jefferson Counties. The EOCC was formed in 1987 to offer drug treatment, education, work release, community services, and other rehabilitation services to convicted felons within the six counties. The EOCC is governed by a ten member board comprised of two common pleas court judges from Belmont, Carroll, Columbiana, and Jefferson Counties and one common pleas court judge from Guernsey and Harrison Counties. The common pleas judges appoint a citizens advisory board to assist in the operations of the EOCC. The board has total control over budgeting, personnel, and financial matters. The EOCC receives funding in the form of state grant monies which are used to provide the various services of the EOCC. Jefferson County serves as fiscal agent for EOCC. During 2006, the EOCC received no monies from Guernsey County. The continued existence of the EOCC is not dependent on the County's continued participation and the County does not have an equity interest in or a financial responsibility for the EOCC. The EOCC has no outstanding debt.

L. Southeast Area Transit (SAT)

The Southeast Area Transit (SAT) was created pursuant to state statute in 1979. SAT formulates general policy for the operation of the Regional Transit Authority. Other duties of SAT include determining routes and fares, formulate operating procedures, promote and maintain community awareness, and appoint and remove the General Manager and Secretary/Treasurer. SAT is limited to a ten member board comprised of six individuals appointed by the Mayor of Zanesville, two people appointed by Muskingum County Commissioners, one individual appointed by the Mayor of South Zanesville, and one person appointed by the Guernsey County Commissioners. In 2006, Guernsey County contributed \$10,000. The continued existence of the Authority is not dependent on the County's continued participation and the County has no equity interest in or financial responsibility for the Authority. SAT has no outstanding debt.

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2006

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**Note 16 - 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 2006, the County made no contributions to the Guernsey County Convention Facilities Authority.

**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 2006, 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 2006, the County made a contribution of \$9,062 to the Park District.

**D. Guernsey County Airport Authority**

The Guernsey 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 2006, the County made no contributions to the Airport Authority.

Guernsey County, Ohio  
Notes to the Modified Cash Financial Statements  
For the Year Ended December 31, 2006

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**Note 17 - Public Entity Risk Pools**

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

The County Risk Sharing Authority, Inc. (CORSA) is a jointly governed organization among thirty-nine counties in Ohio. CORSA was formed as an Ohio not-for-profit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by CORSA.

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of CORSA are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the Board of Trustees. No county may have more than one representative on the Board of Trustees at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the Board of Trustees.

**B. County Commissioners Association of Ohio Service Corporation (CCAOSC)**

The County participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners Association of Ohio Service Corporation (CCAOSC) was established through the County Commissioners Association of Ohio (CCAO) as an insurance purchasing pool.

A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services and general management fees, determining ongoing eligibility of each participant, and performing any other acts and functions which may be delegated to it by the participants. The group executive committee consists of nine members. Two members are the president and treasurer of CCAOSC; the remaining seven members are representatives of the participants. These seven members are elected for the ensuing year by the participants at a meeting held in December of each year. No participant can have more than one member on the group executive committee in any year, and each elected member shall be a county commissioner.

**Note 18 - Contingent Liabilities**

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

**WOLFE, WILSON, & PHILLIPS, INC.  
37 SOUTH SEVENTH STREET  
ZANESVILLE, OHIO 43701**

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

Guernsey County  
627 Wheeling Avenue  
Cambridge, Ohio 43725

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Guernsey County, Ohio as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements and have issued our report thereon dated July 31, 2007. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Guernsey County's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the County's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the County's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the County's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purposes described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. We noted certain matters that we have reported to management in a separate letter dated July 31, 2007.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Guernsey County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that we must report under *Government Auditing Standards*., which is described in the accompanying Schedule of Findings as item 2006-01 and 2006-2. We also noted certain immaterial instances of noncompliance, which we have reported to management of Guernsey County in a separate letter dated July 31, 2007.

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

***Wolfe, Wilson, & Phillips, Inc.***  
Zanesville, Ohio  
July 31, 2007

**WOLFE, WILSON, & PHILLIPS, INC.  
37 SOUTH SEVENTH STREET  
ZANESVILLE, OHIO 43701**

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL  
CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH *OMB CIRCULAR A-133***

Guernsey County  
627 Wheeling Avenue  
Cambridge, Ohio 43725

**Compliance**

We have audited the compliance of Guernsey County, Ohio 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 its major federal program for the year ended December 31, 2006. Guernsey County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Guernsey County's management. Our responsibility is to express an opinion on Guernsey 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Guernsey 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 Guernsey County's compliance with those requirements.

In our opinion, the Guernsey County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2006. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements that OMB Circular A-133 requires us to report, which is described in the accompanying Schedule of Findings as item 2006-03.

**Internal Control Over Compliance**

The management of Guernsey 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*.

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.

Report on Compliance with OMB A-133  
Page 2

This report is intended for the information of the management, The Board of Commissioners, the Auditor of State, federal award agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

***Wolfe, Wilson, & Phillips, Inc.***  
Zanesville, Ohio  
July 31, 2007

**GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION 505  
DECEMBER 31, 2006**

**1. Summary of Auditor's Results**

(d)(1)(I)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	NO
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	NO
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	YES
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	NO
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	NO
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section. 510?	YES
(d)(1)(vii)	Major Programs:	Highway Planning; CFDA #20.205 CDBG; CFDA #14.228
(d)(1)(viii)	Dollar Threshold: Type A\B Programs:	Type A: >\$300,000; Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	No

**2. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS**

**FINDING NUMBER 2006-01**

**Noncompliance Citation**

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

**GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
OMB CIRCULAR A-133 SECTION 505  
DECEMBER 31, 2006**

**2. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS (continued)**

**FINDING NUMBER 2006-01 (CONTINUED)**

Ohio Admin. Code Section 117-2-03 (B) requires the County to file its annual report pursuant to generally accepted accounting principles. However, the County prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code Section 117.38, the County may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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

Client Response: Guernsey County has not filed GAAP financial statements because we feel that the costs related to the GAAP filing requirements far outweigh the benefits that Guernsey County would realize.

**FINDING NUMBER 2006-02**

Ohio Revised Code Section 5705.41(D) states in part that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment 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 encumbrance.

Prior certification was not obtained for 25% of the expenditures tested for 2006.

The County should certify funds before each payment is made through the issuance of a regular, blanket, or super blanket purchase order. Blanket certificates should be issued for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of council against any specific line item account over a period not running beyond the end of the current fiscal year. A super blanket purchase order can be completed for any amount for expenditures and contracts from a specific line item appropriation account in a specified fund for most recurring or reasonable predictable operating expenditures. This is not to extend beyond the current year. More than one super blanket may be outstanding at one particular time for a particular line item appropriation account.

Also, as an alternative, the County can issue then and now certificates for expenses up to \$3,000. Then and now certificates allow the County to certify that both at the time the expenditure was made and at the time that the certification is completed, sufficient funds are available. These certificates can be certified by the Auditor without subsequent authorization from the Commissioners. However, then and now certificates issued by the Auditor over \$3,000 must be authorized by the Commissioners within thirty days after payment.

**Client Response:** Client will more closely monitor and try to use the Then and Now certificates when applicable.

**GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
OMB CIRCULAR A-133 SECTION 505  
DECEMBER 31, 2006**

**3. Findings and Questioned Costs for Federal Awards**

**FINDING NUMBER 2006-03**

CFDA Title and Number Community Development Block Grant State program #14.228  
Federal Award Number/Year: B-E-06-026-1  
Federal Agency: U.S. Department of Housing and Urban Development  
Pass Through Agency: Ohio Department of Development

Noncompliance Citation - Cash Management

Grantees must develop a cash management system to ensure compliance with the Fifteen-Day Rule relating to prompt disbursement of funds. This rule states that funds drawn down should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance of less than \$5,000 within fifteen days of receipt of any funds. Lump sum draw downs are not permitted. Escrow accounts are permitted only in the case of rehabilitation of private property. For the purpose of the Fifteen-day Rule only, funds deposited into an escrow account will be considered expended, but it should be noted that funds may only be in an escrow account for 20 days. In 2006 draw downs were made but the disbursements made did not bring the balance on hand to \$5,000.

Client Response: We will more closely monitor draw downs and the expenditures to try to be in compliance with this rule.

**GUERNSEY COUNTY**  
**SCHEDULE OF FEDERAL AWARDS EXPENDITURES**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

Federal Grantor/ Sub-Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE:</u></b>				
<b>(Pass through Ohio Department of Education)</b>				
Child Nutrition Cluster:				
Food Distribution Program	n/a	10.550	\$ -	\$ 1,477
National School Lunch Program	n/a	10.555	2,051	-
<b>Total U.S. Department of Agriculture</b>			<b>2,051</b>	<b>1,477</b>
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u></b>				
<b>(Pass through Ohio Department of Development)</b>				
Community Development Block Grant	B-F-05-026-1	14.228	97,200	-
	B-5-04-026-1		406	-
	B-C-04-026-1		81,045	-
	B-E-06-026-1		240,964	-
	Program Income		56,903	-
			<b>476,518</b>	<b>-</b>
HOME Partnership Grant	B-C-04-028-2	14.239	254,500	-
	Program Income		1,173	-
			<b>255,673</b>	<b>-</b>
<b>Total U.S. Department of Housing and Urban Development</b>			<b>732,191</b>	<b>-</b>
<b><u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:</u></b>				
<b>(Pass through Ohio Department of Youth Services)</b>				
Americorp Grant	JJWC-022-04	94.006	298	-
	JJWC-022-05		16,804	-
	JJWC-022-06		1,174	-
			<b>18,276</b>	<b>-</b>
<b>Total Corporation for National and Community Service</b>			<b>18,276</b>	<b>-</b>
<b><u>U.S. DEPARTMENT OF JUSTICE:</u></b>				
<b>(Pass through Ohio Department of Youth Services)</b>				
Juvenile Accountability Incentive Block Grant	2004-JB-002-8030	16.523	16,283	-
	2005-JB-015-8043		16,503	-
			<b>32,786</b>	<b>-</b>
<b>Total U.S. Department of Justice</b>			<b>32,786</b>	<b>-</b>
<b><u>U.S. DEPARTMENT OF EDUCATION:</u></b>				
<b>(Pass through Ohio Dept of Health and Guernsey County Family Service Council)</b>				
Help Me Grow	n/a	84.181	73,888	-
<b>(Pass through Ohio Department of Education)</b>				
Special Education Cluster:				
Special Education Grants to States (Title VI-B)	07116-6BSF-06/07	84.027	28,623	-
Preschool Disability Grant	071118-PGSI-2005	84.173	500	-
			<b>29,123</b>	<b>-</b>
<b>Total U.S. Department of Education</b>			<b>103,011</b>	<b>-</b>

See notes to Schedule of Federal Awards Expenditures.

**GUERNSEY COUNTY**  
**SCHEDULE OF FEDERAL AWARDS EXPENDITURES**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

<b>Federal Grantor/ Sub-Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>				
<b>(Pass through Ohio Department of Transportation)</b>				
Highway Planning	n/a	20.509	<u>1,234,377</u>	-
<b>Total U.S. Department of Transportation</b>			<b>1,234,377</b>	-
<b><u>U.S. DEPARTMENT OF LABOR</u></b>				
<b>(Pass through Area 7 Workforce Investment Board)</b>				
Workforce Investment Act Cluster:				
WIA Youth	n/a	17.259	425,456	-
WIA Youth Administration	n/a		<u>12,510</u>	-
			437,966	-
WIA Adult	n/a	17.258	393,070	-
WIA Adult Administration	n/a		<u>11,558</u>	-
			404,628	-
WIA Dislocated Worker	n/a	17.260	83,129	-
WIA Dislocated Worker National Emergency Grant	n/a		(24,005)	-
WIA Dislocated Worker Administration	n/a		<u>4,905</u>	-
			64,029	-
<b>Total Workforce Investment Act Cluster</b>			<b>906,623</b>	-
Veterans Employment Program	n/a	17.802	8,068	-
Veterans Employment Program Administration			<u>237</u>	-
			<b>8,305</b>	-
<b>Total U.S. Department of Labor</b>			<b>914,928</b>	-
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u></b>				
<b>(Pass through Ohio Department of MR/DD)</b>				
Social Services Block Grant	n/a	93.667	<b>35,000</b>	-
Medical Assistance program - CAFS	n/a	93.778	254,524	-
Medical Assistance program - TCM	n/a		64,776	-
Medical Assistance program - Waivers	n/a		704,333	-
Medical Assistance program - Waivers Admin	n/a		<u>31,199</u>	-
			<b>1,054,832</b>	-
State Childrens Insurance Program	n/a	93.767	<u>41</u>	-
<b>Total U.S. Department of Health and Human Services</b>			<b>1,089,873</b>	-

See notes to Schedule of Federal Awards Expenditures.

**GUERNSEY COUNTY**  
**SCHEDULE OF FEDERAL AWARDS EXPENDITURES**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

Federal Grantor/ Sub-Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
<b><u>DEPARTMENT OF HOMELAND SECURITY</u></b>				
<b>Pass through Ohio EMA</b>				
Public Assistance Grant		97.036	1,918,288	-
Emergency Management Performance Grant	2006-EM-E6-0042	97.042	29,424	-
FY05 State Homeland Security Program	2005-GE-T5-0001	97.073	57,795	-
FY06 State Homeland Security Program	2006-GE-T6-0051		14,594	-
			<u>72,389</u>	-
FY04 Citizens Corps Program	2004-GC-T4-0025	97.053	8,821	-
FY05 Citizens Corps Program	2005-GC-T4-0001		2,238	-
			<u>11,059</u>	-
<b>Total Federal Emergency Management Agency</b>			<b>2,031,160</b>	<b>-</b>
<b><u>U.S. CORP OF ENGINEERS</u></b>				
<b>Direct Program:</b>				
594 Grant	n/a	12.XXX	32,706	-
<b>Total U.S. Corp of Engineers</b>			<b>32,706</b>	<b>-</b>
<b><u>ELECTION ASSISTANCE COMMISSION</u></b>				
<b>(Passed through Ohio Secretary of State)</b>				
Help America Vote Training	n/a	39.011	12,277	-
Help America Vote Election Assistance	n/a	93.617	771	-
<b>Total Election Assistance Commission</b>			<b>13,048</b>	<b>-</b>
<b>Total Federal Awards Expenditures</b>			<b><u>\$ 6,204,407</u></b>	<b><u>\$ 1,477</u></b>

See notes to Schedule of Federal Awards Expenditures.

**GUERNSEY COUNTY**  
**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

NOTES A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the County's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - MATCHING REQUIREMENTS

Certain Federal programs require 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 C - SUBRECIPIENTS

The County passes-through certain Federal assistance received from the 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.

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 that Federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of 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.

**GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 SECTION 315(b)**

**December 31, 2006**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2005-001	OAC 117-2-03B Not filing report in accordance with GAAP	No	Not Corrected. Cited in current report as finding 2006-01
2005-002	ORC 5705.41(B) Expenditures greater than appropriations	Yes	Finding No Longer Valid
2005-003	ORC 5705.41(D) Expenditures not properly certified	No	
2005-004	Reporting On-behalf payments not recorded	Yes	Finding No Longer Valid

GUERNSEY COUNTY

**CORRECTIVE ACTION PLAN**  
**OMB CIRCULAR A-133 SECTION 315(b)**  
**December 31, 2006**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2006-01	The County will continue to prepare its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles for 2007	N/A	Tony Brown, County Auditor
2006-02	The County Auditor plans to inform all department heads and other such applicable prsonnel the requirements set forth by this Code Section	December 31, 2007	Tony Brown, County Auditor
2006-003	The County Auditor plans on discussing drawdown procedures and forecasting of expenses with appropriate personnel to try to eliminate excess cash on hand	December 31, 2007	Tony Brown, County Auditor



Mary Taylor, CPA  
Auditor of State

**FINANCIAL CONDITION**

**GUERNSEY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 25, 2007**