



**Auditor of State
Betty Montgomery**

**FINANCIAL CONDITION
CARROLL COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Carroll County
119 Public Square
Carrollton, Ohio 44615

To the County Commissioners:

We have audited the accompanying general purpose financial statements of Carroll County, Ohio (the County) as of and for the year ended December 31, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We did not audit the financial statements of Carroll Hills Industries, Inc., which represents 100 percent of the assets and revenues of the component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Carroll Hills Industries, Inc., is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Carroll County, Ohio, as of December 31, 2002, and the results of its operations and the cash flows of its proprietary fund types and discretely presented component unit for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2003 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the County, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

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

Betty Montgomery
Auditor of State

June 23, 2003

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CARROLL COUNTY, OHIO

COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS, AND DISCRETELY PRESENTED COMPONENT UNIT
DECEMBER 31, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Assets:				
Equity in pooled cash and cash equivalents	\$ 540,858	\$ 2,832,115	\$ 27,743	\$ 229,727
Cash with fiscal and escrow agents	70,959	143	-	-
Receivables (net of allowance for uncollectibles):				
Sales taxes.	210,419	-	-	-
Real and other taxes	1,352,838	2,319,660	-	-
Accounts	45,817	31,361	-	-
Special assessments.	-	-	1,267	-
Accrued interest	3,140	173	-	159
Interfund loan receivable	57,760	10,025	-	-
Due from other funds	19,442	13,760	-	-
Due from other governments	345,986	1,864,956	-	-
Prepayments.	51,023	7,866	-	-
Materials and supplies inventory	47,477	238,735	-	-
Advances to other funds.	6,000	-	-	-
Loans receivable	-	64,866	-	-
Notes receivable.	-	-	-	-
Restricted assets:				
Equity in pooled cash and cash equivalents	-	-	-	-
Property, plant and equipment (net of accumulated depreciation where applicable).	-	-	-	-
Other Debits:				
Amount available in debt service fund	-	-	-	-
Amount to be provided from general government resources	-	-	-	-
Total assets and other debits	<u>\$ 2,751,719</u>	<u>\$ 7,383,660</u>	<u>\$ 29,010</u>	<u>\$ 229,886</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Total Primary Government (Memorandum Only)</u>	<u>Component Unit</u>	<u>Total Reporting Entity (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>			
\$ 597,879	\$ 19,960	\$ 1,672,254	\$ -	\$ -	\$ 5,920,536	\$ -	\$ 5,920,536
50,429	-	98,200	-	-	219,731	92,560	312,291
-	-	-	-	-	210,419	-	210,419
-	-	-	-	-	3,672,498	-	3,672,498
50,319	-	-	-	-	127,497	29,892	157,389
-	-	-	-	-	1,267	-	1,267
170	-	-	-	-	3,642	-	3,642
-	-	3	-	-	67,788	-	67,788
-	-	53,570	-	-	86,772	-	86,772
-	-	-	-	-	2,210,942	-	2,210,942
-	-	-	-	-	58,889	-	58,889
974	-	-	-	-	287,186	-	287,186
-	-	-	-	-	6,000	-	6,000
-	-	-	-	-	64,866	-	64,866
-	-	-	-	-	-	75,000	75,000
28,970	-	-	-	-	28,970	-	28,970
7,930,341	-	-	20,927,494	-	28,857,835	236,524	29,094,359
-	-	-	-	27,743	27,743	-	27,743
-	-	-	-	1,261,827	1,261,827	-	1,261,827
<u>\$ 8,659,082</u>	<u>\$ 19,960</u>	<u>\$ 1,824,027</u>	<u>\$ 20,927,494</u>	<u>\$ 1,289,570</u>	<u>\$ 43,114,408</u>	<u>\$ 433,976</u>	<u>\$ 43,548,384</u>

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CARROLL COUNTY, OHIO

COMBINED BALANCE SHEET (CONTINUED)
ALL FUND TYPES, ACCOUNT GROUPS, AND DISCRETELY PRESENTED COMPONENT UNIT
DECEMBER 31, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities, equity and other credits</u>				
Liabilities:				
Accounts payable	\$ 48,993	\$ 325,660	\$ -	\$ -
Accrued wages and benefits.	75,268	239,252	-	-
Compensated absences payable.	9,704	33,442	-	-
Contracts payable	-	-	-	-
Retainage payable.	-	-	-	-
Interfund loans payable	-	65,785	-	-
Advances from other funds	-	6,000	-	-
Due to other funds	3,892	73,747	-	-
Due to other governments	104,861	275,196	-	22
Deposits held and due to others	-	-	-	-
Amount to be repaid to claimants.	-	-	-	-
Deferred revenue	1,579,528	3,758,461	1,267	-
Accrued interest payable	-	-	-	-
Revenue bonds payable.	-	-	-	-
Notes payable.	-	-	-	-
OPWC loan payable	-	-	-	-
Special assessment bonds with government commitment	-	-	-	-
General obligation bonds payable	-	-	-	-
Capital lease obligation payable	-	-	-	-
Estimated accrued liability for landfill closure and post closure costs	-	-	-	-
Total liabilities	1,822,246	4,777,543	1,267	22
Equity and other credits:				
Investment in general fixed assets	-	-	-	-
Contributed capital.	-	-	-	-
Retained earnings (accumulated deficit):				
Reserved	-	-	-	-
Unreserved.	-	-	-	-
Fund Balances:				
Reserved for encumbrances.	309,815	699,057	-	21,160
Reserved for materials and supplies inventory	47,477	238,735	-	-
Reserved for advances	6,000	-	-	-
Reserved for prepayments	51,023	7,866	-	-
Reserved for debt service.	-	-	27,743	-
Reserved for loans	-	64,866	-	-
Unreserved - undesignated.	515,158	1,595,593	-	208,704
Total equity and other credits	929,473	2,606,117	27,743	229,864
Total liabilities, equity and other credits	\$ 2,751,719	\$ 7,383,660	\$ 29,010	\$ 229,886

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total Primary Government (Memorandum Only)	Component Unit	Total Reporting Entity (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations			
\$ 14,721	\$ 200	\$ 48,015	\$ -	\$ -	\$ 437,589	\$ -	\$ 437,589
7,319	-	-	-	-	321,839	3,456	325,295
8,632	-	-	-	786,461	838,239	-	838,239
11,259	-	-	-	-	11,259	-	11,259
175,001	-	-	-	-	175,001	-	175,001
-	-	2,003	-	-	67,788	-	67,788
-	-	-	-	-	6,000	-	6,000
-	-	9,133	-	-	86,772	-	86,772
7,961	5,364	381,560	-	-	774,964	-	774,964
-	-	1,330,956	-	-	1,330,956	-	1,330,956
-	-	26,178	-	-	26,178	-	26,178
-	-	-	-	-	5,339,256	-	5,339,256
34,641	-	-	-	-	34,641	-	34,641
3,261,400	-	-	-	-	3,261,400	-	3,261,400
-	-	-	-	5,870	5,870	110,992	116,862
-	-	-	-	29,302	29,302	-	29,302
-	-	-	-	49,000	49,000	-	49,000
-	-	-	-	370,000	370,000	-	370,000
-	-	-	-	48,937	48,937	-	48,937
3,733,488	-	-	-	-	3,733,488	-	3,733,488
7,254,422	5,564	1,797,845	-	1,289,570	16,948,479	114,448	17,062,927
-	-	-	20,927,494	-	20,927,494	-	20,927,494
4,371,724	-	-	-	-	4,371,724	-	4,371,724
28,970	-	-	-	-	28,970	-	28,970
(2,996,034)	14,396	-	-	-	(2,981,638)	319,528	(2,662,110)
-	-	-	-	-	1,030,032	-	1,030,032
-	-	-	-	-	286,212	-	286,212
-	-	-	-	-	6,000	-	6,000
-	-	-	-	-	58,889	-	58,889
-	-	-	-	-	27,743	-	27,743
-	-	-	-	-	64,866	-	64,866
-	-	26,182	-	-	2,345,637	-	2,345,637
1,404,660	14,396	26,182	20,927,494	-	26,165,929	319,528	26,485,457
\$ 8,659,082	\$ 19,960	\$ 1,824,027	\$ 20,927,494	\$ 1,289,570	\$ 43,114,408	\$ 433,976	\$ 43,548,384

CARROLL COUNTY, OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2002

	Governmental Fund Types				Fiduciary	Total Primary Government (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Property taxes	\$ 1,306,878	\$ 1,599,303	\$ -	\$ -	\$ -	\$ 2,906,181
Sales taxes	1,581,708	-	-	-	-	1,581,708
Charges for services	996,992	1,423,280	-	-	-	2,420,272
Licenses and permits	7,219	-	-	-	-	7,219
Fines and forfeitures	71,292	68,974	-	-	-	140,266
Intergovernmental	746,388	8,389,273	-	343,371	-	9,479,032
Special assessments	-	-	17,617	-	-	17,617
Investment income	97,149	8,010	-	4,405	-	109,564
Rental income	49,864	-	31,547	-	-	81,411
Other	389,480	633,224	56,471	1,993	3,105	1,084,273
Total revenues	<u>5,246,970</u>	<u>12,122,064</u>	<u>105,635</u>	<u>349,769</u>	<u>3,105</u>	<u>17,827,543</u>
Expenditures:						
Current:						
General government:						
Legislative and executive	2,163,058	481,827	-	-	-	2,644,885
Judicial	619,961	50,247	-	-	-	670,208
Public safety	1,696,402	351,744	-	-	-	2,048,146
Public works	91,692	3,078,843	-	-	-	3,170,535
Health	38,688	2,960,127	-	-	-	2,998,815
Human services	100,851	4,501,043	-	-	-	4,601,894
Economic development and assistance	9,000	210,657	-	-	-	219,657
Urban redevelopment and housing	-	276,647	-	-	-	276,647
Claims	202	-	-	-	-	202
Other	312,576	162,257	-	-	5,009	479,842
Capital outlay	-	15,423	-	389,801	-	405,224
Debt service:						
Principal retirement	40,435	12,115	82,753	-	-	135,303
Interest and fiscal charges	5,334	1,378	29,701	-	-	36,413
Total expenditures	<u>5,078,199</u>	<u>12,102,308</u>	<u>112,454</u>	<u>389,801</u>	<u>5,009</u>	<u>17,687,771</u>
Excess (deficiency) of revenues over (under) expenditures	<u>168,771</u>	<u>19,756</u>	<u>(6,819)</u>	<u>(40,032)</u>	<u>(1,904)</u>	<u>139,772</u>
Other financing sources (uses):						
Proceeds from sale of fixed assets	644	-	-	-	-	644
Proceeds from capital lease	-	15,423	-	-	-	15,423
Operating transfers in	-	518,095	-	-	-	518,095
Operating transfers out	(136,776)	(382,046)	-	-	-	(518,822)
Total other financing sources (uses)	<u>(136,132)</u>	<u>151,472</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,340</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>32,639</u>	<u>171,228</u>	<u>(6,819)</u>	<u>(40,032)</u>	<u>(1,904)</u>	<u>155,112</u>
Fund balances, January 1	889,596	2,581,500	34,562	269,896	28,086	3,803,640
Increase (decrease) in reserve for inventory	7,238	(146,611)	-	-	-	(139,373)
Fund balances, December 31	<u>\$ 929,473</u>	<u>\$ 2,606,117</u>	<u>\$ 27,743</u>	<u>\$ 229,864</u>	<u>\$ 26,182</u>	<u>\$ 3,819,379</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

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CARROLL COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2002

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Property taxes	\$ 1,277,356	\$ 1,306,878	\$ 29,522	\$ 1,612,276	\$ 1,599,303	\$ (12,973)
Sales taxes	1,585,011	1,621,644	36,633	-	-	-
Charges for services	968,906	991,299	22,393	1,357,607	1,416,241	58,634
Licenses and permits	1,790	1,831	41	-	-	-
Fines and forfeitures	72,832	74,515	1,683	57,100	68,250	11,150
Intergovernmental	748,982	766,293	17,311	8,282,916	8,562,687	279,771
Special assessments	-	-	-	-	-	-
Investment income	93,964	96,136	2,172	5,111	5,302	191
Rental income	48,738	49,864	1,126	-	-	-
Other	382,899	391,749	8,850	669,227	634,689	(34,538)
Total revenues	5,180,478	5,300,209	119,731	11,984,237	12,286,472	302,235
Expenditures:						
Current:						
General government:						
Legislative and executive	2,377,614	2,358,735	18,879	563,306	549,114	14,192
Judicial	690,396	680,290	10,106	80,745	53,802	26,943
Public safety	1,798,703	1,791,049	7,654	494,496	355,813	138,683
Public works	98,464	97,213	1,251	3,392,727	3,290,494	102,233
Health	39,545	39,544	1	3,091,503	3,050,493	41,010
Human services	113,664	111,142	2,522	5,059,891	4,884,995	174,896
Economic development and assistance	9,000	9,000	-	335,610	236,967	98,643
Urban redevelopment and housing	-	-	-	327,766	327,091	675
Claims	36,000	10,195	25,805	-	-	-
Other	319,758	317,940	1,818	175,367	165,934	9,433
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	5,483,144	5,415,108	68,036	13,521,411	12,914,703	606,708
Excess (deficiency) of revenues over (under) expenditures	(302,666)	(114,899)	187,767	(1,537,174)	(628,231)	908,943
Other financing sources (uses):						
Proceeds from sale of fixed assets	629	644	15	-	-	-
Advances in	14,302	14,633	331	75,967	78,290	2,323
Advances out	(64,510)	(57,760)	6,750	(33,345)	(33,345)	-
Operating transfers in	-	-	-	504,369	519,522	15,153
Operating transfers out	(136,776)	(136,776)	-	(383,473)	(383,473)	-
Total other financing sources (uses)	(186,355)	(179,259)	7,096	163,518	180,994	17,476
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(489,021)	(294,158)	194,863	(1,373,656)	(447,237)	926,419
Fund balance, January 1	207,045	207,045	-	1,670,813	1,670,813	-
Prior year encumbrances appropriated	273,940	273,940	-	631,402	631,402	-
Fund balance, December 31	\$ (8,036)	\$ 186,827	\$ 194,863	\$ 928,559	\$ 1,854,978	\$ 926,419

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Debt Service			Capital Projects			Total (Memorandum Only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,889,632	\$ 2,906,181	\$ 16,549
-	-	-	-	-	-	1,585,011	1,621,644	36,633
-	-	-	-	-	-	2,326,513	2,407,540	81,027
-	-	-	-	-	-	1,790	1,831	41
-	-	-	-	-	-	129,932	142,765	12,833
-	-	-	343,371	343,371	-	9,375,269	9,672,351	297,082
17,617	17,617	-	-	-	-	17,617	17,617	-
-	-	-	698	4,705	4,007	99,773	106,143	6,370
30,187	31,547	1,360	-	-	-	78,925	81,411	2,486
56,471	56,471	-	-	1,993	1,993	1,108,597	1,084,902	(23,695)
104,275	105,635	1,360	344,069	350,069	6,000	17,613,059	18,042,385	429,326
-	-	-	-	-	-	2,940,920	2,907,849	33,071
-	-	-	-	-	-	771,141	734,092	37,049
-	-	-	-	-	-	2,293,199	2,146,862	146,337
-	-	-	-	-	-	3,491,191	3,387,707	103,484
-	-	-	-	-	-	3,131,048	3,090,037	41,011
-	-	-	-	-	-	5,173,555	4,996,137	177,418
-	-	-	-	-	-	344,610	245,967	98,643
-	-	-	-	-	-	327,766	327,091	675
-	-	-	-	-	-	36,000	10,195	25,805
-	-	-	-	-	-	495,125	483,874	11,251
-	-	-	577,426	465,847	111,579	577,426	465,847	111,579
82,753	82,753	-	-	-	-	82,753	82,753	-
29,728	29,701	27	-	-	-	29,728	29,701	27
112,481	112,454	27	577,426	465,847	111,579	19,694,462	18,908,112	786,350
(8,206)	(6,819)	1,387	(233,357)	(115,778)	117,579	(2,081,403)	(865,727)	1,215,676
-	-	-	-	-	-	629	644	15
51,588	51,588	-	-	51,588	51,588	141,857	196,099	54,242
(51,588)	(51,588)	-	(51,588)	(51,588)	-	(201,031)	(194,281)	6,750
-	-	-	-	-	-	504,369	519,522	15,153
-	-	-	-	-	-	(520,249)	(520,249)	-
-	-	-	(51,588)	-	51,588	(74,425)	1,735	76,160
(8,206)	(6,819)	1,387	(284,945)	(115,778)	169,167	(2,155,828)	(863,992)	1,291,836
34,562	34,562	-	256,202	256,202	-	2,168,622	2,168,622	-
-	-	-	68,143	68,143	-	973,485	973,485	-
\$ 26,356	\$ 27,743	\$ 1,387	\$ 39,400	\$ 208,567	\$ 169,167	\$ 986,279	\$ 2,278,115	\$ 1,291,836

CARROLL COUNTY, OHIO

COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS/FUND EQUITY
ALL PROPRIETARY FUNDS TYPES AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Proprietary Fund Types</u>		<u>Total Primary Government (Memorandum Only)</u>	<u>Component Unit</u>	<u>Total Reporting Entity (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>			
Operating revenues:					
Charges for services	\$ 628,070	\$ -	\$ 628,070	\$ 130,497	\$ 758,567
Other operating revenues	12,294	54,810	67,104	64,774	131,878
Total operating revenues	<u>640,364</u>	<u>54,810</u>	<u>695,174</u>	<u>195,271</u>	<u>890,445</u>
Operating expenses:					
Personal services	181,332	-	181,332	90,748	272,080
Contract services	101,133	18,916	120,049	47,557	167,606
Materials and supplies	56,532	-	56,532	41,606	98,138
Depreciation	140,542	-	140,542	26,452	166,994
Landfill closure and post closure costs . . .	76,791	-	76,791	-	76,791
Other operating expenses.	53,014	21,498	74,512	21,407	95,919
Total operating expenses	<u>609,344</u>	<u>40,414</u>	<u>649,758</u>	<u>227,770</u>	<u>877,528</u>
Operating income.	<u>31,020</u>	<u>14,396</u>	<u>45,416</u>	<u>(32,499)</u>	<u>12,917</u>
Nonoperating revenues (expenses):					
Interest income	5,490	-	5,490	1,732	7,222
Intergovernmental	168,713	-	168,713	29,627	198,340
Interest and fiscal charges	(146,294)	-	(146,294)	(2,493)	(148,787)
Total nonoperating revenues (expenses) . . .	<u>27,909</u>	<u>-</u>	<u>27,909</u>	<u>28,866</u>	<u>56,775</u>
Net income before operating transfers.	58,929	14,396	73,325	(3,633)	69,692
Operating transfers in.	727	-	727	-	727
Net income.	59,656	14,396	74,052	(3,633)	70,419
Retained earnings (accumulated deficit) restated, January 1.	<u>(3,026,720)</u>	<u>-</u>	<u>(3,026,720)</u>	<u>323,161</u>	<u>(2,703,559)</u>
Retained earnings (accumulated deficit) December 31	<u>(2,967,064)</u>	<u>14,396</u>	<u>(2,952,668)</u>	<u>319,528</u>	<u>(2,633,140)</u>
Contributed capital, December 31	<u>4,371,724</u>	<u>-</u>	<u>4,371,724</u>	<u>-</u>	<u>4,371,724</u>
Total fund equity, December 31	<u>\$ 1,404,660</u>	<u>\$ 14,396</u>	<u>\$ 1,419,056</u>	<u>\$ 319,528</u>	<u>\$ 1,738,584</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

CARROLL COUNTY, OHIO

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Proprietary Fund Types</u>		<u>Total Primary Government (Memorandum Only)</u>	<u>Component Unit</u>	<u>Total Reporting Entity (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>			
Cash flows from operating activities:					
Cash received from sales/service charges . . .	\$ 622,756	\$ -	\$ 622,756	\$ 120,113	\$ 742,869
Cash received from other operations	12,294	54,810	67,104	64,774	131,878
Cash payments for personal services	(176,812)	-	(176,812)	(90,598)	(267,410)
Cash payments for contract services	(145,394)	(13,527)	(158,921)	(47,557)	(206,478)
Cash payments for materials and supplies . . .	(58,918)	-	(58,918)	(41,606)	(100,524)
Cash payments for other expenses	<u>(53,014)</u>	<u>(21,323)</u>	<u>(74,337)</u>	<u>(21,407)</u>	<u>(95,744)</u>
Net cash provided by operating activities	<u>200,912</u>	<u>19,960</u>	<u>220,872</u>	<u>(16,281)</u>	<u>204,591</u>
Cash flows from noncapital financing activities:					
Cash received from operating grants	168,713	-	168,713	29,627	198,340
Cash received from a related party	-	-	-	75,000	75,000
Advances out to other funds	-	-	-	-	-
Advances to a related party	-	-	-	(75,000)	(75,000)
Transfers in from other funds	<u>727</u>	<u>-</u>	<u>727</u>	<u>-</u>	<u>727</u>
Net cash provided by noncapital financing activities	<u>169,440</u>	<u>-</u>	<u>169,440</u>	<u>29,627</u>	<u>199,067</u>
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(146,916)	-	(146,916)	-	(146,916)
Proceeds from note	-	-	-	75,000	75,000
Principal retirement	(39,500)	-	(39,500)	(79,167)	(118,667)
Interest and fiscal charges	<u>(146,716)</u>	<u>-</u>	<u>(146,716)</u>	<u>(2,493)</u>	<u>(149,209)</u>
Net cash used in capital and related financing activities	<u>(333,132)</u>	<u>-</u>	<u>(333,132)</u>	<u>(6,660)</u>	<u>(339,792)</u>
Cash flows from investing activities:					
Interest received	<u>6,137</u>	<u>-</u>	<u>6,137</u>	<u>1,732</u>	<u>7,869</u>
Net cash provided by investing activities	<u>6,137</u>	<u>-</u>	<u>6,137</u>	<u>1,732</u>	<u>7,869</u>
Net increase in cash and cash equivalents	43,357	19,960	63,317	8,418	71,735
Cash and cash equivalents at January 1 . . .	<u>633,921</u>	<u>-</u>	<u>633,921</u>	<u>84,142</u>	<u>718,063</u>
Cash and cash equivalents at December 31 .	<u>\$ 677,278</u>	<u>\$ 19,960</u>	<u>\$ 697,238</u>	<u>\$ 92,560</u>	<u>\$ 789,798</u>

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CARROLL COUNTY, OHIO

COMBINED STATEMENT OF CASH FLOWS (CONTINUED)
 ALL PROPRIETARY FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT
 FOR THE YEAR ENDED DECEMBER 31, 2002

(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Proprietary Fund Types</u>		<u>Total Primary Government (Memorandum Only)</u>	<u>Component Unit</u>	<u>Total Reporting Entity (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>			
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 31,020	\$ 14,396	\$ 45,416	\$ (32,499)	\$ 12,917
Adjustments to reconcile operating income to cash provided by operating activities:					
Depreciation	140,542	-	140,542	26,452	166,994
Changes in assets and liabilities:					
Increase in accounts receivable.	(5,314)	-	(5,314)	(10,384)	(15,698)
Increase in materials and supplies inventory.	(100)	-	(100)	-	(100)
Increase (decrease) in accounts payable.	(2,445)	200	(2,245)	-	(2,245)
Increase in accrued wages and benefits	1,619	-	1,619	150	1,769
Decrease in contracts payable.	(37,730)	-	(37,730)	-	(37,730)
Increase in compensated absences payable	1,719	-	1,719	-	1,719
Increase in due to other governments.	1,182	5,364	6,546	-	6,546
Decrease in retainage payable.	(6,372)	-	(6,372)	-	(6,372)
Increase in accrued landfill closure and post closure liability	76,791	-	76,791	-	76,791
Net cash provided by operating activities	<u>\$ 200,912</u>	<u>\$ 19,960</u>	<u>\$ 220,872</u>	<u>\$ (16,281)</u>	<u>\$ 204,591</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

CARROLL COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 1 - DESCRIPTION OF THE COUNTY

Carroll County, Ohio (the "County") was created in 1812. The County is governed by a Board of three commissioners elected by the voters of the County. The County Commissioners serve as the taxing authority, the contracting body, and the chief administrators of public services for the County. Other officials elected by the voters of the County that manage various segments of the County's operations are: the county auditor, county treasurer, recorder, clerk of courts, coroner, engineer, prosecuting attorney, sheriff, a common pleas court judge, a probate court judge, and a county municipal court judge.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The County's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". The GPFS include all funds, account groups, agencies, boards, commissions, and component units for which the County and the County Commissioners are "accountable". Accountability as defined in GASB Statement No. 14 was evaluated based on financial accountability, the nature and significance of the potential component unit's (PCU) relationship with the County and whether exclusion would cause the County's general purpose financial statements to be misleading or incomplete. Among the factors considered were separate legal standing; appointment of a voting majority of PCU's board; fiscal dependency and whether a benefit or burden relationship exists; imposition of will; and the nature and significance of the PCU's relationship with the County.

CARROLL COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Based on the foregoing criteria, the financial activities of the following PCUs have been reflected in the accompanying GPFS as follows:

BLENDED COMPONENT UNITS

Emergency Management Agency (EMA) - The financial activities of the EMA will be blended into the County's financial statements. The County Commissioners appoint a majority of the board members and finance the operations of the EMA. The operations of the EMA are accounted for in the general fund. Fixed assets and long-term obligations associated with the EMA are reflected in the account groups.

Carroll County Economic Development Council (Council) - The Council's Board is comprised of the Carroll County Commissioners which appoint an Advisory Committee to oversee the operations of the Council. The Council is not legally separate from the County and, therefore, its financial activities are blended with that of the County. The operations of the Council are accounted for as a separate special revenue fund.

Local Emergency Planning Commission (LEPC) - The LEPC consists of an eleven to fifteen member board. The board which oversees the operations of the LEPC is recommended by the County Commissioners and appointed by the State Emergency Response Commission (SERC). The members consist of County officials, a fire enforcement representative and representatives from County agencies, Red Cross, emergency medical services, a legal representative, and a township trustee.

The commission receives its funding strictly through grant money received from the SERC to be used for the purpose of developing, preparing, reviewing, exercising or revising chemical emergency response and preparedness plans and awareness and education programs in the County. The approval of the County Commissioners is required for many expenditures to be made. The operations of the LEPC are accounted for as a separate special revenue fund. Fixed assets and long-term obligations associated with these operations are reflected in the account groups.

CARROLL COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

DISCRETELY PRESENTED COMPONENT UNIT

Carroll Hills Industries, Inc. (Industries) - The Industries is a legally separate, nonprofit corporation, served by a self-appointing board of trustees. The Industries, under a contractual agreement with the Carroll County Board of Retardation and Developmental Disabilities, provides sheltered employment for adults with mental retardation or developmental disabilities in the County. The Carroll County Board of MRDD provides the Industries certain personnel, salaries, transportation, equipment (except that used directly in the production of goods or rendering of services), staff to administer and supervise training programs, and other funds as necessary for the operation of the Industries. Based on the significant services and resources provided by the County to the Industries and the Industries sole purpose of providing assistance

to mentally retarded or developmentally disabled adults of the County, the Industries is reflected as a component unit of the County. It is reported separately to emphasize that it is legally separate from the County. Separately issued financial statements can be obtained from the Carroll Hills Industries, Inc., Carrollton, Ohio.

RELATED ORGANIZATIONS

Carroll County Public Library (Library) - The Library is statutorily created as a separate and distinct political subdivision of the State. Four trustees of the Library are appointed by the county commissioners and three trustees are appointed by the judge of common pleas court. The Board of Library trustees is a body politic and corporate, capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real and personal property, and of exercising such other powers and privileges as are conferred upon them by law. The Library Board approves their own budget and then sends a copy to the county budget commission. The County serves as the taxing authority for the Library, but the Library is not considered part of the County. The trustees adopt their own appropriations, hire and fire their own staff, authorize Library expenditures and do not rely on the County to finance deficits.

Carroll County Airport Authority (Authority) - The Authority is a separate legal entity from the County. The County appoints a voting majority of the Authority's Board, but is not "accountable" for its operations. The Authority is not fiscally dependent upon the County nor is there a financial benefit/burden relationship.

CARROLL COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

EXCLUDED POTENTIAL COMPONENT UNITS

As counties are structured in Ohio, the County Auditor and County Treasurer, respectively, serve as fiscal officer and custodian of funds for various agencies, boards, and commissions. As fiscal officer, the County Auditor certifies the availability of cash and appropriations prior to the processing of payments and purchases. As the custodian of all public funds, the County Treasurer invests 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 and custodian, but is not accountable; therefore the operations of the following PCUs have been excluded from the County's GPFS, but the funds held on behalf of these PCUs in the County Treasury are included in the agency funds.

Carroll County Board of Health
Soil and Water Conservation District
Carroll County Regional Planning Commission
Carroll County Law Library

Information in the notes to the GPFS is applicable to the primary government. When information is provided relative to the component unit, it is specifically identified.

JOINTLY GOVERNED ORGANIZATION

County Risk Sharing Authority, Inc. (CORSA) - CORSA is jointly governed by forty-one counties in Ohio. CORSA was formed as an Ohio nonprofit 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 losses and pay all contributions necessary for the specified insurance coverages provided by CORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

CARROLL COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Each member has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the 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. No county may have more than one representative on the board at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the Board of Trustees.

JOINT VENTURES WITHOUT EQUITY INTEREST

Multi-County Juvenile Attention System (Attention System) - The Attention System, a six county operation, provides services to Carroll, Columbiana, Holmes, Stark, Tuscarawas and Wayne Counties. The Attention System consists of four group homes, four detention facilities, one treatment center, and one shelter care facility. The board of trustees consists of three members from each County, with the exception of Stark County which has four members. Two members from each county are appointed by a judge from that county (three from Stark County), and one member from each county is a county commissioner. A superintendent of the Attention System is appointed by the board of trustees. State grant monies are applied for from the Ohio Department of Youth Services and received by the board of trustees. Other revenues consist of County contributions based on prior year's usage and County population, and donations from organizations.

Policies are outlined by State guidelines, as well as the board of trustees of the Attention System.

The County cannot significantly influence operations, the board has sole budgetary authority, the board controls surpluses and deficits and the County is not legally or morally obligated for any debt. In 2002, the County contributed \$202,374 to the Attention System. Complete financial statements for the Attention System can be obtained from their administrative office on County Road 24 in Stryker, Ohio.

Carroll/Columbiana/Harrison Solid Waste Policy District (Solid Waste District) - The Solid Waste District is a three county district. The twenty-one-member committee consists of the County Health Commissioner, or his appointee; the chairman of the County Commissioners, or his appointee; a member of the County Trustees Association; the Mayor of the largest municipality, or his appointee; two members of the public at large; and a representative of the generators of waste or an appointee, from each of the three counties.

CARROLL COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The plan for the Solid Waste District has been in effect for approximately four years. The committee has thus far been financed through a portion of the tipping/disposal fees from the landfills, as well as from grant monies. Complete financial statements for the Solid Waste District can be obtained from their office located at 1072 Kensington Road, Carrollton, Ohio 44615.

Alcohol, Drug Addiction and Mental Health Services Board of Carroll and Tuscarawas Counties (ADAM Board) - The ADAM Board is a two County non-profit corporation whose general purpose is to provide leadership in planning for and supporting community-based alcohol, drug addiction and mental health services in cooperation with public and private resources with emphasis on the development of prevention and early intervention programming, while respecting, protecting and advocating for the rights of persons as consumers of alcohol, drug addiction and mental health services. The Board of Trustees of the ADAM Board consists of eighteen members. Four members are appointed by the Director of the Ohio Department of Mental Health and four members are appointed by the Director of the Ohio Department of Alcohol and Drug Addiction Services. The remaining members are appointed by the county commissioners of Carroll and Tuscarawas Counties in the same proportion as each County's population bears to the total population of the two counties combined.

Tuscarawas County acts as the fiscal agent for the ADAM Board. The Board receives tax revenue from Tuscarawas County and receives federal and state funding grant monies which are applied for and received by the Board of Trustees.

The County cannot significantly influence operations of the ADAM Board. The Board has sole budgetary authority and controls surpluses, and deficits and the County is not legally or morally obligated for the Board's debt. The ADAM Board will not be included as part of Carroll County. Due to the ongoing financial relationship of the County to the ADAM Board, it will be disclosed as a joint venture without equity interest in the County's financial statements. Complete financial statements from the ADAM Board can be obtained from their office located at 611 High Street NW, Carrollton, Ohio 44615.

CARROLL COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation - Fund Accounting

The accounts of the County are maintained on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, as appropriate; and revenues, and expenditures or expenses, as appropriate. The following fund types and account groups are used by the County:

GOVERNMENTAL FUNDS

General Fund - The general fund is used to account for all activities of the County not required to be included in another fund.

Special Revenue Funds - The special revenue funds are used to account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - The debt service funds are used to account for the accumulation of financial resources for, and the payment of, general obligation long-term debt principal, interest and related costs.

Capital Projects Funds - The capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the proprietary funds).

PROPRIETARY FUNDS

Enterprise Funds - The enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises. The intent of the County is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal Service Fund - The internal service fund is used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the County, or to other governmental units, on a cost-reimbursement basis.

CARROLL COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

FIDUCIARY FUNDS

Trust and Agency Funds - These funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include an expendable trust fund and agency funds. The expendable trust fund is accounted for in essentially the same manner as governmental funds. The agency funds are purely custodial in nature (assets equal liabilities) and thus do not involve the measurement of operations.

ACCOUNT GROUPS

General Fixed Assets Account Group - The general fixed assets account group is used to account for all general fixed assets of the County, other than those fixed assets accounted for in the proprietary funds.

General Long-Term Obligations Account Group - The general long-term obligations account group is used to account for all long-term obligations of the County, except those accounted for in the proprietary funds.

COMPONENT UNITS

Component Units - Component units are either legally separate organizations for which the elected officials of the County are not financially accountable, or legally separate organizations for which the nature and significance of its relationship with the County is such that exclusion would not cause the County's financial statement to be misleading or incomplete. The County considers the Carroll Hills Industries, Inc. to be a separate discretely presented component unit of the County.

C. Basis of Accounting and Measurement Focus

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

CARROLL COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Governmental and expendable trust funds use the modified accrual basis of accounting. Proprietary funds and the component unit use the accrual basis of accounting. The agency funds are presented on a budgetary basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual (see Note 3.C.). Differences between the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the reporting of expenses and expenditures.

REVENUES - EXCHANGE AND NON-EXCHANGE TRANSACTIONS

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

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

CARROLL COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: sales tax (see Note 7) interest, federal and state grants and subsidies, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fines and forfeitures, and fees for services.

DEFERRED REVENUE

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

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

On the modified accrual basis of accounting, receivables that will not be collected within the available period have also been reported as deferred revenue.

EXPENSES/EXPENDITURES

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

D. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriation Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

CARROLL COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

All funds, other than agency and trust funds, are required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each department. Budgetary modification may only be made by resolution of the County Commissioners.

Budgetary information for the Workshop is not reported because it is not included in the entity for which the "appropriated budget" is adopted and separate budgetary financial records are not maintained.

Outlined below are the normal budgetary procedures followed by the County to establish the annual operating budget and the budgetary data reported in the budgetary statements:

1. A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The expressed purpose of the Tax Budget is to reflect the need for existing (or increased) tax rates.
2. The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews revenue estimated. The Commission certifies its actions to the County by September 1. As part of the certification, the County received the official Certificate of Estimated Resources, which states the projected revenue of each fund.

On or about January 1, the Certificate of Estimated Resources is amended to include unencumbered fund balances at December 31. Further amendments may be made during the year if the County Auditor determines that revenue to be collected will be greater than or less than the prior estimated, and the Budget Commission finds the revised estimated to be reasonable. The amounts set forth as revised budgeted revenues and other financing sources in the budgetary statements represent estimates from the final amended certificate issued during 2002.

CARROLL COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

3. Shortly after the beginning of the fiscal year, the County Commissioners pass a temporary Appropriation Resolution, for a period of not more than 90 days, which legally authorizes the expenditure of funds. Prior to the expiration of the temporary Appropriation Resolution the County Commissioners will approve an official Appropriation Resolution. The County is accorded discretion in its method of appropriating federal funds. Appropriations are provided in the amounts of approved grants by the Board of County Commissioners.
4. The amount set forth as revised budgeted expenditures and other financing uses in the budgetary statement include the prior year appropriations carried over for payment of prior year encumbrances, and all amendments to the original Appropriation Resolution. Supplemental appropriations are made when needed, subject to approval by at least two Commissioners. Supplemental appropriations were made during 2002.
5. Unencumbered appropriations lapse at year-end. Contracts and purchase type encumbrances outstanding at year-end carry their appropriations with them into the new year.
6. Contract and purchase type encumbrances outstanding at year-end are recorded as expenditures on the budgetary statements.

E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the appropriated governmental and proprietary funds. Encumbrances outstanding at year-end, not recognized as accounts payable, are reported as reservations of fund balance for subsequent year expenditures on the modified accrual basis of accounting. Encumbrances outstanding at year-end are reported as expenditures on the budgetary basis of accounting.

F. Cash and Investments

To improve cash management, cash received by the County is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the County's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

CARROLL COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

During fiscal year 2002, investments were limited to nonnegotiable certificates of deposit, money market savings accounts and a repurchase agreement. Investments in nonparticipating interest-earning investment contracts, such as repurchase agreements, nonnegotiable certificates of deposit, and money market savings accounts are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal 2002 amounted to \$97,149 which includes \$87,000 assigned from other County funds.

The County has segregated bank accounts for monies held separate from the County's central bank account. These interest bearing depository accounts are presented on the combined balance sheet as "Cash with Fiscal and Escrow Agents" since they are not required to be deposited into the County treasury.

For the purpose of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the County are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the Treasurer's investment account at year end is provided in Note 4.

G. Inventories of Materials and Supplies

Inventories are valued at cost using the first in, first out method. The costs of inventory items are recognized as expenditures in governmental funds when purchased and as expenses in the proprietary funds when used. The total of inventories at year-end is reported as a reservation of fund balance in the governmental funds because it does not represent available, spendable resources.

CARROLL COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Property, Plant, Equipment, and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and disposals during the year in the general fixed assets account group. Contributed fixed assets are recorded at their fair market values as of the date donated. The County follows a policy of not capitalizing infrastructure, which is defined as assets that are immovable and of value only to the County, (i.e. roads, bridges, etc.), ornamental artifacts, or any asset with a cost of less than \$500. No depreciation is recognized for assets in the account group. Interest on debt issued to construct general fixed assets is not capitalized in the account group.

2. Enterprise Funds

Property, plant, and equipment reflected in the enterprise funds are stated at cost (or estimated historical) and updated for the cost of additions and disposals during the year. Contributed fixed assets are recorded at their fair market value as of the date donated. Depreciation and amortization have been provided on a straight-line basis over the following estimated useful lives:

<u>Description</u>	<u>Estimated Life</u>
Autos and trucks	7
Machinery, equipment, furniture and fixtures	5-20
Building	40
Sewer lines	50

The County also capitalizes the cost of major renovations which extend the useful life of an asset or which enable it to perform new or more valuable services. Interest on tax exempt debt issued to construct enterprise fund fixed assets is capitalized, net of interest earned on the proceeds of such debt.

I. Compensated Absences

Compensated absences of the County consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the County and the employee.

CARROLL COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. Sick leave benefits are accrued using the "vesting" method.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments.

County employees earn vacation at varying rates ranging from two to five weeks per year. Sick leave is accumulated at the rate of 4.6 hours per 80 hours worked. Vacation and sick leave is accumulated on an hours worked basis. Vacation pay is vested after one year and sick pay upon eligibility for retirement. Accumulated vacation cannot exceed three times the annual accumulation rate for an employee. The County does not accrue liability for non-vested sick leave or vacation benefits.

Vacation and sick leave accumulated by governmental fund type employees has been recorded in the general long-term obligations account group because it will not be liquidated with expendable, available resources. General long-term obligations are not limited to liabilities arising from debt issuances, but may also include non-current liabilities and other commitments that are not current liabilities properly recorded in governmental funds. Vacation and sick leave for governmental fund type employees is recognized as an expenditure when used. Vacation and sick leave in the proprietary fund types is recorded as an expense when earned, and the liability for unused amounts is shown as a fund liability.

J. Long-Term Obligations

Long-term obligations for general obligation bonds, special assessment bonds, revenue bonds, special assessment notes, Ohio Public Works Commission (OPWC) loans, vested sick and vacation leave, capital lease obligations, and any claims or judgment that are expected to be paid from the governmental funds are shown in the general long-term obligations account group, while those expected to be paid from proprietary funds are shown as a liability of those funds.

CARROLL COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Under Ohio law, a debt retirement fund must be created and used for the payment of all debt principal and interest. GAAP requires the allocation of the debt liability among the capital projects and enterprise funds, and the general long-term obligations account group, with principal and interest payments on matured general obligation long-term debt being reported in the debt service fund. To comply with GAAP reporting requirements, the County's debt retirement fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

K. Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund balances, related to charges for goods and services rendered, are reflected as "due to/from other funds".
4. Short-term interfund loans, accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable/payable."
5. Long-term interfund loans that will be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

See Note 5 for an analysis of the County's interfund transactions.

CARROLL COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

L. Fund Balance Reserves

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or use. The unreserved portions of fund equity reflected in the governmental funds are available for use within the specific purposes of the funds.

The County reports amounts representing encumbrances outstanding, material and supply inventories, advances, prepayments, debt service, and loans receivable as reservations of fund balance in the governmental funds.

Retained earnings have been reserved for restricted assets maintained in the Sewer enterprise fund (see Note 2.P.).

M. Prepayments

Prepayments for governmental funds represent cash disbursements that are not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefiting from the advance payment. At year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

N. Estimates

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

O. Contributed Capital

Contributed capital represents donations by developers and grants restricted for capital construction. These assets are recorded at their fair market value on the date contributed and are not subject to repayment. Depreciation on those proprietary fund type assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end. In accordance with GASB Statement No. 33, capital contributions are recorded as revenue and a component of retained earnings at year-end. There were no capital contributions received by the enterprise funds in 2002. Contributed capital in the enterprise funds at December 31, 2002 is \$4,371,724.

CARROLL COUNTY, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

P. Restricted Assets

Certain cash and cash equivalents are classified as restricted cash on the balance sheet because their use is limited by debt covenants. Retained earnings have been reserved for the restricted cash balance since it is not available for general operating use.

Q. Total Columns on General Purpose Financial Statements

Total columns on the GPFS are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Prior Period Adjustments

The County understated the amount of construction in process in the enterprise funds and overstated the balance of the Brown Township/Malvern Sewerline Improvements revenue bonds at December 31, 2001. A prior period adjustment is required to properly state the enterprise fixed assets and revenue bonds payable at December 31, 2001. The adjustment had the following effect on retained earnings as previously reported at December 31, 2001.

	<u>Enterprise</u>
Retained earnings as previously reported	\$ (3,409,377)
Restatement for understated construction in progress	368,557
Restatement for overstated revenue bonds	<u>14,100</u>
Restated retained earnings as of January 1, 2002	<u>\$ (3,026,720)</u>

CARROLL COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Fund Deficits

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

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
CHIP	\$ 24,764
County Home	9,333
Litter Prevention	7,634
VFA Grant	2,000
County Transit Grant	6,007
Victim's Assistance	7,318
Industrial Park	4,412
<u>Enterprise Fund</u>	
Landfill	3,733,029

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end.

The deficit fund balances in the CHIPS, County Home, Litter Prevention, VFA Grant, County Transit Grant, Victim's Assistance and the Industrial Park special revenue funds are due to the application of GAAP in the reporting of accrued wages and benefits at December 31 as a fund liability. These deficit balances will be eliminated by anticipated future revenues or other subsidies not recognized and recorded at December 31.

The deficit retained earnings in the landfill fund is primarily due to the reporting of estimated landfill closure and postclosure costs as a fund liability. This deficit will be alleviated as revenues become available to cover these costs as they are incurred.

CARROLL COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Agency Funds

The following are accruals for agency funds, which, in other fund types, would be recognized in the combined balance sheet:

ASSETS

Real and other taxes receivable	\$ 15,011,363
Special assessments receivable	69,507
Due from other governments	815,481
Prepaid assets	124
Material and supplies inventory	<u>815</u>
Total	<u>\$ 15,897,290</u>

LIABILITIES

Due to other governments	\$ 15,865,565
Accrued wages and benefits	16,400
Compensated absences payable	6,387
Accounts payable	<u>8,938</u>
Total	<u>\$ 15,897,290</u>

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

A. Primary Government

Moneys held by the County are classified by state statute into two categories. Active moneys are public moneys determined to be necessary to meet current demand upon the County treasury. Active moneys must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

CARROLL COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

Moneys held by the County which are not considered active are classified as inactive. Inactive moneys may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by 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 government 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 division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's Investment Pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;

CARROLL COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

9. High grade commercial paper for a period not to exceed 180 days in an amount not to exceed twenty-five percent of the County's total average portfolio; and
10. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the County's total average portfolio.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand: At year-end, the County had \$42,902 in undeposited cash on hand which is included on the balance sheet of the County as part of "Equity in Pooled Cash and Cash Equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

Deposits: At year-end, the carrying amount of the County's deposits, including nonnegotiable certificates of deposit, money market savings accounts, and cash with fiscal and escrow agents was \$5,126,335 and the bank balance was \$5,269,778. Of the bank balance:

1. \$726,282 was covered by federal depository insurance; and
2. \$4,543,496 was uninsured and uncollateralized as defined by GASB even though it was covered by collateral held by third party trustees pursuant to Section 135.81, Ohio Revised Code, in single institution collateral pools securing all public funds on deposit with specific depository institutions. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

CARROLL COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

Investments: The County's investments are required to be categorized to give an indication of the level of risk assumed by the County at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the County's name.

	<u>Category 3</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Repurchase agreement	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>

The classification of cash and cash equivalents on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

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

	<u>Cash and Cash Equivalents/ Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 6,169,237	\$ -
Investments of the cash management pool:		
Repurchase Agreement	(1,000,000)	1,000,000
Cash on Hand	<u>(42,902)</u>	<u>-</u>
GASB Statement No. 3	<u>\$ 5,126,335</u>	<u>\$ 1,000,000</u>

CARROLL COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

B. Component Unit

At December 31, 2002, the carrying amount of the component unit's demand deposits was \$92,560. The carrying amount of the demand deposits equaled the bank balance at that date. The entire bank balance was insured by the FDIC and thus would belong in risk category (1). The component unit had no investments at December 31, 2002. There are no statutory guidelines regarding the deposit and investment of funds by a not-for-profit corporation.

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances, related to items other than charges for goods and services rendered, at December 31, 2002, consist of the following individual fund loans receivable and payable:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 57,760	\$ -
<u>Special Revenue Funds</u>		
Litter	-	7,510
Community Development Block Grant	-	6,750
Economic Development	10,025	-
Community Housing Improvement Program	-	39,500
VFA Grant	-	2,000
Industrial Park Fund	-	10,025
<u>Agency Funds</u>		
Township	-	2
Corporation Fund	-	1
Undivided tax	3	-
Children's Trust	-	2,000
Total	<u>\$ 67,788</u>	<u>\$ 67,788</u>

CARROLL COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

B. The following is a reconciliation of the County's long-term advances to and from other funds at December 31, 2002:

	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
General Fund	\$ 6,000	\$ -
<u>Special Revenue Fund</u>		
County Transit	-	6,000
Total	\$ 6,000	\$ 6,000

C. Interfund balances, related to charges for goods and services rendered, at December 31, 2002, consist of the following amounts due to and due from other funds:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 19,442	\$ 3,892
<u>Special Revenue Fund</u>		
County Court Computerization	1,926	-
Public Assistance	1,850	56,017
Motor Vehicle and Gas Tax	2,796	-
County Transit Grant	3,296	-
County Home	3,892	-
Bureau of Support	-	14,549
Children's Services	-	3,181
<u>Agency Fund</u>		
County Court Agency	-	8,875
Family and Children First Operating Grant	49,417	258
Law Library	4,153	-
Total	\$ 86,772	\$ 86,772

CARROLL COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

D. The following is a summarized breakdown of the County's operating transfers for 2002.

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 136,776
<u>Special Revenue Fund</u>		
Children's Services	30,000	172,366
Job and Family Services Public Assistance	268,315	-
Community Housing Improvement Program	10,100	38,322
Community Development Block Grant	38,322	-
Youth Service Project	-	91,626
County Transit Grant	75,500	-
Local Caravan	-	75,500
Community Corrections	4,232	-
Felony Delinquent Care and Custody	91,626	4,232
<u>Enterprise Fund</u>		
Landfill	<u>727</u>	<u>-</u>
Total	<u>\$ 518,822</u>	<u>\$ 518,822</u>

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the County. Real property taxes and public utility taxes are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by state law at 35% of appraised market value. Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at 88% of true value for taxable transmission and distribution property and 25% of true value for all other taxable property. Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 2002 taxes were collected was \$458,512,353. The full tax rate for all County operations applied to real property for fiscal year ended December 31, 2002, was \$10.70 per \$1,000 of assessed valuation.

CARROLL COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values of real and tangible personal property upon which 2002 property tax receipts were based are as follows:

<u>Real Property</u>	
Agricultural/residential	\$ 340,685,010
Commercial/industrial/mineral	43,915,580
Tangible personal property	33,641,153
<u>Public Utility</u>	
Real	41,370
Personal	<u>40,229,240</u>
Total assessed value	<u>\$ 458,512,353</u>

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

The County Treasurer collects property tax on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County.

Tangible personal property taxes for unincorporated and single county businesses are due semi-annually, with the first payment due April 30 and the remainder payable by September 20. Due dates are normally extended an additional 30 days. The due date for the entire tax for inter-county businesses is September 20 or the extended date. The first \$10,000 of taxable value is exempt from taxation for each business by state law. The lien date is either December 31 or the end of their fiscal year (for incorporated businesses in operation more than one year). Since each business must file a return to the County Auditor, the tangible personal taxes are not known until all the returns are received.

"Real and Other Taxes" receivable represents delinquent real and tangible personal property and public utility taxes outstanding as of the last settlement (net of allowances for estimated uncollectibles) and real and public utility taxes which were measurable as of the year end.

CARROLL COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 6 - PROPERTY TAXES - (Continued)

Since the current levy is not intended to finance 2002 operations, the receivable is offset by a credit to "Deferred Revenue". The delinquent real, public utility and tangible personal property taxes that will become available to the County within the first 60 days of 2003 are shown as 2002 revenue; the remainder is shown as "Deferred Revenue".

The eventual collection of significantly all real and public utility property taxes (both current and delinquent) is reasonably assured due to the County's ability to force foreclosure of the properties on which the taxes are levied.

NOTE 7 - PERMISSIVE SALES AND USE TAX

In 1985, the County Commissioners by resolution imposed a one percent tax on all retail sales, except sales of motor vehicles, made in the County, and on the storage, use, or consumption in the County of tangible personal property, including automobiles, not subject to the sales tax. 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 the month of collection. The State Auditor then has five days in which to draw the warrant payable to the County. In 1996, this tax was approved for an additional five years by the voters of the County.

Proceeds of the sales and use tax are credited to the general fund. A receivable is recognized at year-end for amounts that will be received from sales which occurred during 2002 and amounts that are measurable and available at year-end are accrued as revenue. Sales and use tax revenue for 2002 amounted to \$1,581,708.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2002, consisted of taxes, interest, accounts (billings for user charged services), special assessments, short-term interfund loans, interfund transactions related to charges for goods and services rendered and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as "Due From Other Governments" on the combined balance sheet and all interfund transactions related to charges for goods and services rendered have been classified as "Due From Other Funds" on the combined balance sheet. Receivables have been recorded to the extent eligibility requirements have been met by year-end and the amounts are measurable. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs, and the current year guarantee of federal funds.

CARROLL COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 8 - RECEIVABLES - (Continued)

A summary of the principal items of receivables follows:

General Fund

Sales taxes	\$ 210,419
Real and other taxes	1,352,838
Accounts	45,817
Accrued interest	3,140
Interfund loans	57,760
Due from other funds	19,442
Intergovernmental	345,986

Special Revenue Funds

Real and other taxes	2,319,660
Accounts	31,361
Accrued interest	173
Interfund loans	10,025
Due from other funds	13,760
Intergovernmental	1,864,956

Debt Service Funds

Special Assessments	1,267
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Capital Projects Funds

Accrued interest	159
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Enterprise Funds

Accounts	50,319
Accrued interest	170

CARROLL COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 9 - LOANS RECEIVABLE

Loans receivable represents low interest loans made by the County for development projects and small businesses under the Federal Community Block Development Grant (CDBG) program and housing revolving loans made to low-income residents of the County. The loans bear interest at annual rates ranging between 3 and 5 percent. The loans are to be repaid over periods ranging from 5 to 10 years. A summary of the loan activity for 2002 is as follows:

	Balance at <u>1/1/02</u>	Loans <u>Issued</u>	Principal <u>Received</u>	Balance at <u>12/31/02</u>
Housing Revolving Loans	\$ 64,813	\$ -	\$ (10,863)	\$ 53,950
CDBG Loans	<u>33,536</u>	<u>-</u>	<u>(22,620)</u>	<u>10,916</u>
Total	<u>\$ 98,349</u>	<u>\$ -</u>	<u>\$ (33,483)</u>	<u>\$ 64,866</u>

NOTE 10 - FIXED ASSETS

A. Enterprise Fund Fixed Assets

A summary of the enterprise fund fixed assets at December 31, 2002 is as follows:

Land	\$ 7,500
Machinery and equipment	512,773
Sewer plant	435,317
Sewer lines	<u>9,997,708</u>
Total gross assets	10,953,298
Less: accumulated depreciation	<u>(3,022,957)</u>
Total net assets	<u>\$ 7,930,341</u>

CARROLL COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 10 - FIXED ASSETS - (Continued)

B. General Fixed Assets

A summary of the changes in the general fixed assets account group during the fiscal year follows:

	Balance at <u>1/1/02</u>	<u>Additions</u>	<u>Disposals</u>	Balance at <u>12/31/02</u>
Land/improvements	\$ 1,252,645	\$ 4,400	\$ -	\$ 1,257,045
Building/improvement	12,300,843	-	-	12,300,843
Furniture, fixtures and equipment	4,526,208	277,484	(64,474)	4,739,218
Vehicles	<u>2,512,953</u>	<u>194,160</u>	<u>(76,725)</u>	<u>2,630,388</u>
Total	<u>\$ 20,592,649</u>	<u>\$ 476,044</u>	<u>\$ (141,199)</u>	<u>\$ 20,927,494</u>

NOTE 11 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior years, the County entered into capital lease agreements for the acquisition of a copier and eight vehicles. During 2002, the County entered into an additional capital lease agreement for the acquisition of a digital scanner/copier. The terms of these lease agreements provide an option to purchase the equipment. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfer benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Fund Types and Expendable Trust Fund. General fixed assets acquired by lease have been capitalized in the general fixed assets account group in an amount equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in the 2002 fiscal year totaled \$40,435 and \$12,115 in the general fund and special revenue funds, respectively. These amounts are reflected as debt service principal retirement in the respective funds.

The following is an analysis of equipment leased under a capital lease as of December 31, 2002:

	<u>General Fixed Assets</u>
Equipment	<u>\$ 178,808</u>
Carrying value	<u>\$ 178,808</u>

CARROLL COUNTY, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE 11 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2002.

General Long-Term Obligations

<u>Year Ending December 31</u>	<u>Equipment</u>
2003	\$ 40,253
2004	3,753
2005	3,753
2006	3,752
2007	<u>2,815</u>
Total minimum lease payments	54,326
Less: amount representing interest	<u>(5,389)</u>
Present value of future minimum lease payment	<u>\$ 48,937</u>

NOTE 12 - COMPENSATED ABSENCES LIABILITY

Vacation and sick leave accumulated by governmental fund type employees has been recorded in the general long-term obligations account group. Vacation and sick leave earned by proprietary fund type employees is expensed when earned.

Upon termination of County service, a fully vested employee is entitled to a percentage of their accumulated sick leave based on their years of service not to exceed 30 days and all accumulated vacation. At December 31, 2002 vested benefits for vacation leave for governmental fund type employees totaled \$593,696 and vested benefits for sick leave totaled \$57,727. For proprietary fund types, vested benefits for vacation leave totaled \$8,632 and there were no vested benefits for sick leave. In accordance with GASB Statement No. 16, an additional liability of \$135,038 was accrued to record termination (severance) payments expected to become eligible to retire in the future for the governmental fund type employees.

CARROLL COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 13 - LONG-TERM OBLIGATIONS

A. General Long-Term Obligations

The County's general long-term obligations at year-end consist of the following:

	<u>Issue Date</u>	<u>Maturity Date</u>	Balance Outstanding <u>1/01/02</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>12/31/02</u>
<u>General Obligation Bonds</u>						
DHS Building - 7.375%	12/1/1989	12/1/2009	\$ 80,000	\$ -	\$ (10,000)	\$ 70,000
DHS Jobs Building - 5.5%	7/29/1992	7/29/2012	130,000	-	(15,000)	115,000
Energy Debt - 5.15%	5/30/1996	6/1/2006	<u>225,000</u>	<u>-</u>	<u>(40,000)</u>	<u>185,000</u>
Total general obligation bonds			<u>435,000</u>	<u>-</u>	<u>(65,000)</u>	<u>370,000</u>
<u>Special Assessment Bond</u>						
Magnolia Sewerlines - 7.375%	12/1/1989	12/1/2009	<u>56,000</u>	<u>-</u>	<u>(7,000)</u>	<u>49,000</u>
Total special assessment bond			<u>56,000</u>	<u>-</u>	<u>(7,000)</u>	<u>49,000</u>
<u>Note Payable</u>						
Cumberland Special Assessment - 5.07%	3/12/1993	3/12/2003	<u>11,740</u>	<u>-</u>	<u>(5,870)</u>	<u>5,870</u>
Total note payable			<u>11,740</u>	<u>-</u>	<u>(5,870)</u>	<u>5,870</u>
<u>OPWC Loans Payable</u>						
Drake Church Road Bridge	7/1/1992	3/12/2003	<u>34,185</u>	<u>-</u>	<u>(4,883)</u>	<u>29,302</u>
Total OPWC loans payable			<u>34,185</u>	<u>-</u>	<u>(4,883)</u>	<u>29,302</u>
<u>Other Long-Term Obligations:</u>						
Capital leases			86,064	15,423	(52,550)	48,937
Compensated absences			<u>738,805</u>	<u>47,656</u>	<u>-</u>	<u>786,461</u>
Total other long-term obligations			<u>824,869</u>	<u>63,079</u>	<u>(52,550)</u>	<u>835,398</u>
Total general long-term obligations			<u>\$ 1,361,794</u>	<u>\$ 63,079</u>	<u>\$ (135,303)</u>	<u>\$ 1,289,570</u>

CARROLL COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 13 - LONG TERM OBLIGATIONS - (Continued)

General Obligation Bonds: The general obligation bonds are supported by the full faith and credit of the County. The bonds were issued to provide resources for building renovations and improvements including energy conservation measures. These bonds are being retired through rental charges and other County operating sources.

Special Assessment Bond: The special assessment bond is supported by the full faith and credit of the County. The bond was issued to provide resources for the Magnolia sewerline installation. The bond is being retired through special assessments levied against benefited property owners.

Note Payable: The note payable is supported by the full faith and credit of the County. The note was issued to provide resources for the installation of the Cumberline waterline. The note is being retired through special assessments levied against benefited property owners.

OPWC Loan Payable: The Ohio Public Works Commission (OPWC) loan was issued in 1992 to provide for improvements to the Drake Church Road bridge. This loan bears no interest rate as long as the County remains current on its payments. The OPWC loan is being retired through resources from motor vehicle and gas tax fund. The resources are transferred to and the repayment of the loan is accounted for in the debt service funds.

Capital Leases: Capital lease obligations represent leases entered into for the acquisition of capital assets. The capital lease obligations will be paid from the fund that maintains custody of the related asset.

Compensated Absences: Vested sick leave and vacation benefits are presented net of actual increases and decreases because of the practicality of determining these values. The benefits will be paid from the fund from which the person is paid.

CARROLL COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 13 - LONG TERM OBLIGATIONS - (Continued)

Future Debt Service Requirements: The following is a summary of the County's future annual debt service principal and interest requirements for general long-term obligations:

Year Ended	General Obligation Bonds			Special Assessment Bond		
	Principal	Interest	Total	Principal	Interest	Total
2003	\$ 68,000	\$ 21,334	\$ 89,334	\$ 7,000	\$ 3,615	\$ 10,615
2004	70,000	17,563	87,563	7,000	3,099	10,099
2005	72,000	13,669	85,669	7,000	2,581	9,581
2006	70,000	9,655	79,655	7,000	2,065	9,065
2007	20,000	5,753	25,753	7,000	1,489	8,489
2008 - 2012	70,000	11,064	81,064	14,000	1,549	15,549
Total	<u>\$ 370,000</u>	<u>\$ 79,038</u>	<u>\$ 449,038</u>	<u>\$ 49,000</u>	<u>\$ 14,398</u>	<u>\$ 63,398</u>

Year Ended	Note Payable			OPWC Loans Payable		
	Principal	Interest	Total	Principal	Interest	Total
2003	\$ 5,870	\$ 298	\$ 6,168	\$ 4,883	\$ -	\$ 4,883
2004	-	-	-	4,883	-	4,883
2005	-	-	-	4,884	-	4,884
2006	-	-	-	4,884	-	4,884
2007	-	-	-	4,884	-	4,884
2008	-	-	-	4,884	-	4,884
Total	<u>\$ 5,870</u>	<u>\$ 298</u>	<u>\$ 6,168</u>	<u>\$ 29,302</u>	<u>\$ -</u>	<u>\$ 29,302</u>

CARROLL COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 13 - LONG TERM OBLIGATIONS - (Continued)

B. Enterprise Fund Obligations

The balance of the 1979 Brown Township/Malvern Sewerline Improvements revenue bonds was overstated in the amount of \$14,100 at December 31, 2001. The January 1, 2002 balance of these revenue bonds has been restated (See Note 3.A. for detail). The County had the following revenue bonds outstanding at year-end related to enterprise fund operations:

<u>Revenue Bonds</u>	<u>Issue Date</u>	<u>Maturity Date</u>	Restated Balance Outstanding 01/01/02	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding 12/31/02
Brown Township/Malvern Sewerline Improvements - 5.0%	02/07/79	02/07/19	\$ 300,900	\$ -	\$ (11,500)	\$ 289,400
Brown Township/Malvern Sewerline Improvements - 4.5%	10/01/01	10/01/41	<u>3,000,000</u>	<u>-</u>	<u>(28,000)</u>	<u>2,972,000</u>
Total			<u><u>\$ 3,300,900</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (39,500)</u></u>	<u><u>\$ 3,261,400</u></u>

Revenue Bonds: The 1979 and 2001 revenue bonds were issued to provide resources for improvements to the Brown Township/Malvern sewerlines. These bonds will be retired through revenues derived from sewer operations.

Future Debt Service Requirements: The following is a summary of the County's future annual debt service principal and interest requirements for enterprise fund obligations:

<u>Year Ended</u>	<u>Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 41,700	\$ 148,210	\$ 189,910
2004	44,000	146,282	190,282
2005	45,400	144,225	189,625
2006	47,700	142,114	189,814
2007	50,300	139,897	190,197
2008 - 2012	285,500	662,487	947,987
2013 - 2017	358,800	589,454	948,254
2018 - 2022	335,000	506,275	841,275
2023 - 2027	386,400	428,683	815,083
2028 - 2032	481,600	333,553	815,153
2033 - 2037	600,100	214,992	815,092
2038 - 2041	<u>584,900</u>	<u>67,247</u>	<u>652,147</u>
Total	<u><u>\$ 3,261,400</u></u>	<u><u>\$ 3,523,419</u></u>	<u><u>\$ 6,784,819</u></u>

CARROLL COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 13 - LONG TERM OBLIGATIONS - (Continued)

C. Component Unit Obligations

The Industries had the following note payable obligations at December 31, 2002:

<u>Notes Payable</u>	<u>Interest Rate</u>	<u>Balance Outstanding 12/31/2002</u>
Sky Bank	Prime + 1.00%	\$ 75,000
James Miller	6.00%	<u>35,992</u>
Total		<u>\$ 110,992</u>

The following is a summary of the Industries future annual debt service principal requirements for the notes payable:

<u>Year Ended</u>	<u>Amount</u>
2002	\$ 79,641
2003	4,925
2004	5,229
2005	5,551
2006	5,895
Thereafter	<u>9,751</u>
Total	<u>\$ 110,992</u>

D. Legal Debt Margin

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

The Code further provides that the total voted and unvoted net debt of the County, less the same exempt debt, shall never exceed a sum equal to three percent of the first \$100,000,000, of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. Based on this calculation, the County's legal debt margin was \$9,571,552 as of December 31, 2002.

CARROLL COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002)

NOTE 14 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The County maintains two enterprise funds, the landfill fund and sewer fund, which are intended to be self-supporting through user fees charged for services. In addition, the County reports the activity of the Carroll Hills Industries, Inc. as a discretely presented component unit. Financial information for the year ended December 31, 2002, is as follows:

	<u>Sewer</u>	<u>Landfill</u>	<u>Total Primary Government</u>	<u>Component Unit</u>	<u>Total Reporting Entity</u>
Operating revenue	\$ 640,364	\$ -	\$ 640,364	\$ 195,271	\$ 835,635
Operating expenses before depreciation	389,892	78,910	468,802	201,318	670,120
Depreciation expense	140,542	-	140,542	26,452	166,994
Operating income/(loss)	109,930	(78,910)	31,020	(32,499)	(1,479)
Net income/(loss)	137,839	(78,183)	59,656	(3,633)	56,023
Fixed asset additions	146,916	-	146,916	-	146,916
Property, plant and equipment (net of accumulated depreciation)	7,930,341	-	7,930,341	236,524	8,166,865
Net working capital	503,389	459	503,848	114,355	618,203
Total assets	8,658,623	459	8,659,082	433,976	9,093,058
Total liabilities	3,520,934	3,733,488	7,254,422	114,448	7,368,870
Retained earnings (accumulated deficit)	765,965	(3,733,029)	(2,967,064)	319,528	(2,647,536)
Contributed capital	4,371,724	-	4,371,724	-	4,371,724
Total equity (deficit)	5,137,689	(3,733,029)	1,404,660	319,528	1,724,188
Encumbrances outstanding (budget basis) at December 31, 2002	288,784	450	289,234	-	289,234

CARROLL COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002)

NOTE 15 - RISK MANAGEMENT

A. General Insurance

The County is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries, and natural disasters.

The County is a member of County Risk Sharing Authority, Inc. (CORSA) which is a shared risk pool of forty-one counties in Ohio. CORSA was formed as an Ohio nonprofit 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. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the 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. No county may have more than one representative on the board at any one 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.

The County pays the State Workers' Compensation System a premium based on a rate per \$100 of employee compensation. The rate is calculated based on accident history and administrative costs.

There were no significant reductions in insurance coverage from the prior year in any category of risk. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

B. Health Care Insurance

The County has elected to provide health care insurance to employees through a fully-insured program. The County purchases commercial health care insurance from Aultcare. The entire risk of loss transfers to the commercial insurance carrier. The County's portion of the monthly premium is \$210 for single coverage and \$572 for family coverage.

CARROLL COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002)

NOTE 15 - RISK MANAGEMENT - (Continued)

During fiscal year 2001, the County changed from a self-insurance program for health care benefits to a fully-insured program. The outstanding claims from the self-insurance program at December 31, 2001 were paid in full in fiscal year 2002.

NOTE 16 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

All County full-time employees, other than teachers, participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system created by the State of Ohio. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 2002 was 8.5% for employees other than law enforcement and public safety. The law enforcement classification consisted of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 10.1%. Public safety division members contribute at 9%. The employer contribution rate for employees other than law enforcement and public safety division was 13.55% of covered payroll and 8.55% was the portion used to fund pension obligations for 2002. The employer contribution rate for law enforcement and public safety divisions was 16.70% of covered payroll and 11.70% was the portion used to fund pension obligations for 2002. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records. The County's contributions to OPERS for the years ended December 31, 2002, 2001, and 2000 were \$1,209,484, \$1,139,055, and \$868,335, respectively; 75.35% has been contributed for 2002 and 100% for 2001 and 2000. \$298,074, representing the unpaid contribution for 2002, is recorded as a liability within the respective funds.

CARROLL COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002)

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

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 basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2002 Comprehensive Annual Financial Report may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3% of their annual covered salary and the County is required to contribute 14%; 9.5% was the portion used to fund pension obligations. Contribution rates are established by STRS Ohio Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The County's contributions for pension obligations to STRS Ohio for the years ended December 31, 2002, 2001, and 2000 were \$38,254, \$35,172, and \$31,894, respectively; 100% been contributed for the years 2002, 2001 and 2000.

CARROLL COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002)

NOTE 17 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

OPERS provides postretirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The OPERS law enforcement program is separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2002 employer contribution rate for local government employers was 13.55% of covered payroll and 5.00% was the portion that was used to fund health care. For both the public safety and law enforcement divisions the 2002 employer rate was 16.70% of covered payroll and 5.00% was the portion used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. The County's contribution actually made to fund postemployment benefits was \$440,480.

OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely. OPEB's are advance funded on an actuarially determined basis.

As of December 31, 2001 (the latest information available), the actuarial value of the Retirement System's net assets available for future OPEB payments were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively, at December 31, 2001 (the latest information available). The number of benefit recipients eligible for OPEB at December 31, 2001 (the latest information available) was 402,041.

CARROLL COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002)

NOTE 17 - POSTEMPLOYMENT BENEFITS (Continued)

In December 2001, the OPERS Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of health care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

Additional information on the OPERS, including historical trend information showing the progress in accumulating sufficient assets to pay benefits when due is available in the OPERS December 31, 2002, Comprehensive Annual Financial Report.

B. State Teachers Retirement System of Ohio

Comprehensive health care benefits are provided to retired teachers and their dependents through the STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by the State Teachers Retirement Board based on authority granted by state statute.

All benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium. Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions to the Health Care Stabilization Fund equal to 4.5% of covered payroll for the fiscal year ended June 30, 2002. Effective July 1, 2002, 1% of covered payroll was allocated to the Health Care Stabilization Fund. For the County, this amount equaled \$12,296 during calendar year 2002. As of June 30, 2002, the balance in the Health Care Stabilization Fund was \$3,011 billion and eligible benefit recipients totaled 105,300 for STRS Ohio as a whole. For the fiscal year ended June 30, 2002, net health care costs paid by STRS Ohio were \$354.697 million.

CARROLL COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING

The County's budgetary process is based upon accounting for transactions on the cash basis. The differences between the cash basis (budget basis) and the modified accrual basis (GAAP basis) are that revenues are recorded when actually received (budget) as opposed to when susceptible to accrual (GAAP) and the expenditures are recorded when paid (budget) as opposed to when incurred (GAAP). Additionally, the County reflects outstanding encumbrances as expenditures on the budgetary basis of accounting. Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the GAAP basis are as follows:

**EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES
OVER/(UNDER) EXPENDITURES AND OTHER FINANCING USES**

	Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$ (294,158)	\$ (447,237)	\$ (6,819)	\$ (115,778)
Net adjustment for revenue accruals	(53,239)	(164,408)	-	(300)
Net adjustment for expenditure accruals	(17,122)	(164,742)	-	54,886
Net adjustment for other financing sources (uses) accruals	43,127	(29,522)	-	-
Encumbrances (budget basis)	<u>354,031</u>	<u>977,137</u>	<u>-</u>	<u>21,160</u>
GAAP basis	<u>\$ 32,639</u>	<u>\$ 171,228</u>	<u>\$ (6,819)</u>	<u>\$ (40,032)</u>

CARROLL COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 19 - CONTINGENCIES

A. Grants

The County receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the County at December 31, 2002.

B. Litigation

On October 31, 1996, the State of Ohio filed a complaint against Carroll County for preliminary and permanent injunctive relief, civil penalties and damages from the alleged failure to properly close the Carroll County Landfill. The outcome of this lawsuit is not presently determinable and it is the opinion of the County's counsel that the range of any potential loss cannot be reasonably estimated. In accordance with FASB Statement No. 5, "Accounting for Contingencies", no liability has been reported in the financial statements.

On October 5, 1995, Norris Enterprises, Inc., Norris Equipment and Fabricating, Inc., and the Carroll County Community Improvement Corporation jointly entered into a \$900,000 promissory note with the Citizens Banking Company. On December 4, 1995, Carroll County entered into a Unconditional Limited Suretyship Agreement whereby, in the event of default by the original debtors, the County may be called upon to repay the outstanding debt obligation to a maximum of \$450,000. In November 1999, Norris Enterprises, Inc. and Norris Equipment and Fabricating, Inc. filed for bankruptcy protection under Chapter 11 of the Internal Revenue Code. While in reorganization, the liabilities of these companies are stayed pending the reorganization plan.

At this time, it is not determinable whether the County has or will sustain a liability related to this matter, therefore, in accordance with FASB Statement No. 5, "Accounting for Contingencies", no liability has been reported in the financial statements.

CARROLL COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 20 - LANDFILL CLOSURE AND POSTCLOSURE COSTS

State and federal laws and regulations require that the County perform certain maintenance and monitoring functions at the closed landfill site for thirty years after closure. The landfill was closed in 1993. The Village of Carrollton shares in the estimated liability disclosed. The Village and the County have pending negotiations regarding the Village's share of the liability. The estimated liability for the landfill is \$2,495,328 for closure costs and \$1,238,160 for postclosure costs. The estimated liability for landfill closure and postclosure care has a balance of \$3,733,488 as of December 31, 2002. The estimated cost of landfill closure and postclosure care expenses is based on the amount that would be paid if all materials and services required to monitor and maintain the closed landfill were acquired as of December 31, 2002. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. As of the date of this report, the County does not have a comprehensive plan for retiring this liability and is considering its options.

NOTE 21 - RELATED PARTY TRANSACTION

The Industries, a discretely presented component unit of the County, received contributions from the County for certain personnel salaries. The contributions are reflected as non-operating revenues in the GPFS. For the fiscal year ended December 31, 2002, the contributions were \$29,627.

NOTE 22 - FEDERAL TRANSACTIONS

The Carroll County Department of Human Services (Welfare Department) distributes federal food stamps to entitled recipients within the County. The receipt and issuance of these stamps have the characteristics of federal grants. However, the Welfare Department merely acts in an intermediary capacity. Therefore, the inventory value of the stamps is not reflected in the accompanying financial statements as the only economic interest related to the stamps rest with the ultimate recipient.

NOTE 23 - CONDUIT DEBT OBLIGATION

In fiscal year 2001, the County served as an issuer of Ohio Health Care Facilities Revenue Bonds in the amount of \$3,180,000. The proceeds will be used to acquire, construct, improve and equip hospital facilities for St. John's Villa. St. John's Villa will make the principal and interest payments on the bonds. The facilities revenue bonds do not constitute a general obligation, debt or bonded indebtedness of the County. Neither is the full faith and credit or taxing power of the County pledged to make payment.

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CARROLL COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002

Federal Grantor/ Pass Through Grantor Program Title	CFDA Number	Pass Through Entity Number	Expenditures
U.S. Department of Agriculture			
<i>Passed Through Ohio Water Development Authority</i>			
Water and Waste Disposal Systems for Rural Communities	10.760		\$181,024
<i>Passed Through Ohio Department of Natural Resources</i>			
Volunteer Fire Department Grant	10.664		<u>2,000</u>
Total U.S. Department of Agriculture			183,024
U. S. Department of Housing and Urban Development			
<i>Passed through the Ohio Department of Development:</i>			
Community Development Formula Program	14.228	B-F-00-010-1 B-F-01-010-1	154 111,935
Community Housing Improvement Program	14.228	BC-00-010-1 BC-01-010-1	46,235 15,299
Home Investment Partnership Program	14.239	BC-00-010-2	<u>244,589</u>
Total U.S. Housing and Urban Development			418,212
U.S. Department of Education			
<i>Passed through the Ohio Department of Education:</i>			
Assistance to States for the Education of the Handicapped, Part B - Title VI-B	84.027	6B-SF-94P	2,703
Title VI Innovative Education Strategies	84.298	C2-S1-01	1,135
ABLE Grant	84.002	AB-S1-03	1,595
Special Education Grants for Infants and Families with Disabilities	84.181		<u>42,957</u>
Total U.S. Department of Education			48,390
Federal Emergency Management Agency			
<i>Passed Through the State Emergency Management Agency:</i>			
Emergency Management Performance Grant	83.552	N/A	4,900
Total U.S. Federal Emergency Management Agency			4,900
U. S. Department of Health and Human Services			
<i>Passed Through the Ohio Department of Mental Retardation and Developmental Disabilities</i>			
Social Services Block Grant - Title XX	93.667		25,512
Community Alternative Funding Program (CAFS)	93.778		<u>524,023</u>
Total U.S. Department of Health and Human Services			549,535

CARROLL COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Pass-Through Entity Number	Expenditures
U.S. Department of Justice			
Bullet Proof Vest Partnership Program	16.607		4,500
<i>Passed Through the Office of Criminal Justice</i>			
Crime Victim Assistance	16.575	2002VAGENE087	34,154
		2001VAGENE087	9,941
		2003VAGENE087	8,625
		2003VAGNEN568	2,802
		VOCA10-087X	2
		2001VAGENE087	96
		2000VAGE	90
			<u>55,710</u>
<i>Passed Through Ohio Department of Youth Services</i>			
Juvenile Accountability Incentive Grant	16.523	2001-JB-003-A238	691
<i>Passed through Ohio Department of Public Safety</i>			
State Domestic Preparedness Equipment Support Program	16.007		<u>42,459</u>
Total U.S. Department of Justice			103,360
U.S. Department of Transportation			
<i>Passed Through the Ohio Department of Transportation</i>			
Highway Planning and Construction Grant	20.205	RPT4010020011	9,000
Formula Grants for Other Than Urbanized Areas	20.509		<u>40,233</u>
Total U.S. Department of Transportation			49,233
U.S. Department of Labor			
<i>Passed Through the Ohio Department of Job and Family Services</i>			
One Stop Career Center Initiative	17.257		8,677
Workforce Investment Act Incentive Grant	17.266		10,000
WIA Adult Programs	17.258		83,708
WIA Youth Activities	17.259		11,088
WIA Dislocated Worker	17.260		<u>75,010</u>
Total U.S. Department of Labor			188,483
Total Federal Awards Expenditures			<u><u>\$1,545,137</u></u>

The accompanying notes to this schedule are an integral part of this schedule.

**FINANCIAL CONDITION
CARROLL COUNTY**

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

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

The County has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households to eligible persons and to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County passed through the Ohio Department of Development (ODOD). The County did not receive any new money during the audit period and there were no initial loans of CDBG funds to be recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property. At December 31, 2002, the gross amounts of loans outstanding under this program was \$64,866.



Auditor of State Betty Montgomery

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

Carroll County
119 Public Square
Carrollton, Ohio 44615

To the County Commissioners:

We have audited the accompanying financial statements of Carroll County, Ohio, (the County) as of and for the year ended December 31, 2002, and have issued our report thereon dated June 23, 2003. We did not audit the financial statements of Carroll Hills Industries, Inc., which represents 100 percent of the assets and revenues of the component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Carroll Hills Industries, Inc. is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a certain matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the County in a separate letter dated June 23, 2003.

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

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

Betty Montgomery
Auditor of State

June 23, 2003



Auditor of State Betty Montgomery

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

Carroll County
119 Public Square
Carrollton, Ohio 44615

To the County Commissioners:

Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about Carroll 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 Carroll County's compliance with those requirements.

In our opinion, Carroll County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2002. We noted an instance of noncompliance that does not require inclusion in this report that we have reported to management of Carroll County in a separate letter dated June 23, 2003.

Internal Control Over Compliance

The management of Carroll 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 Carroll 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 an opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

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

Betty Montgomery
Auditor of State

June 23, 2003

**CARROLL COUNTY
DECEMBER 31,2002**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA# 14.228, 14.239
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None	
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3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None	
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**Auditor of State
Betty Montgomery**

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FINANCIAL CONDITION

CARROLL 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
JULY 15, 2003**