



**Auditor of State
Betty Montgomery**

**FINANCIAL CONDITION
CARROLL COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANT'S REPORT

Carroll County
119 Public Square
Carrollton, OH 44615

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Carroll County, Ohio (the Government) as of and for the year ended December 31, 2003, which collectively comprise the Government's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Government's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Carroll Hills Industries, Inc., which represents 100% of the assets and revenues of the component unit column. Those financial statements were audited by other auditors whose report 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 and the report of the other auditors provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Carroll County, Ohio, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General, Motor Vehicle and Gas Tax, County Board of MRDD, Public Assistance, and County Home funds thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2003, the Government implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The Government also adopted Governmental Accounting Standards Board Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

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In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2004, on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

We conducted our audit to form opinions on the financial statements that collectively comprise the Government's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Betty Montgomery
Auditor of State

August 5, 2004

CARROLL COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2003 UNAUDITED

The discussion and analysis of Carroll County's (the "County") financial performance provides an overall review of the County's financial activities for the year ended December 31, 2003. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2003 are as follows:

- The total net assets of the County decreased \$1,190,579. Net assets of governmental activities decreased \$957,293, which represents a 4.85% decrease over fiscal year 2002. Net assets of business-type activities decreased \$233,286 or 16.74% from fiscal year 2002.
- General revenues accounted for \$7,338,506 or 37.48% of total governmental activities revenue. Program specific revenues accounted for \$12,242,954 or 62.52% of total governmental activities revenue.
- The County had \$20,538,753 in expenses related to governmental activities; \$12,242,954 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$7,338,506 were not adequate to provide for these programs.
- The County's major funds are the general fund, motor vehicle and gas tax fund, County board of MRDD fund, public assistance fund and the County home. The general fund, the County's largest major fund, had revenues of \$5,270,931 in 2003, an increase of \$23,961 or 0.46% from 2002 revenues. The expenditures of the general fund, which totaled \$5,297,356 in 2003, increased \$219,517 or 4.14% from 2002. The larger increase in expenditures than in revenues contributed to the general fund balance decrease of \$102,316 from 2002 to 2003.
- The motor vehicle and gas tax fund, a County major fund, had revenues of \$2,984,678 in 2003. The motor vehicle and gas tax fund had expenditures of \$2,772,113 in 2003. The motor vehicle and gas tax fund balance increased \$212,565 from 2002 to 2003.
- The County board of MRDD, a County major fund, had revenues of \$3,562,673 in 2003. The County board of MRDD had expenditures of \$3,519,555 in 2003. The County board of MRDD fund balance increased \$43,118 from 2002 to 2003.
- The public assistance fund, a County major fund, had revenues of \$2,500,834 in 2003. The public assistance fund had expenditures of \$2,560,151 in 2003. The public assistance fund balance increased \$217,798 from 2002 to 2003.
- The County home, a County major fund, had revenues of \$1,307,430 in 2003. The County home had expenditures of \$1,276,115 in 2003. The County home fund balance increased \$31,315 from 2002 to 2003.
- Net assets for the Sewer enterprise fund decreased in 2003 by \$247,461 or 4.83%. The net assets for the Sanitary Landfill increased in 2003 by \$14,175 or 0.38%.
- In the general fund, the actual revenues came in \$109,849 higher than they were originally budgeted and actual expenditures were \$17,369 less than the amount in the original budget. These positive variances are a result of the County's conservative budgeting process.

CARROLL COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2003 UNAUDITED

Using this Basic Financial Statements (BFS)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the County as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole County, presenting both an aggregate view of the County's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the County's most significant funds with all other nonmajor funds presented in total in one column. In the case of the County, there are five major governmental funds. The general fund is the largest major fund.

Reporting the County as a Whole

Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities answer the question, "How did we do financially during 2003?" These statements include *all assets and liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the County's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the County as a whole, the financial position of the County has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the County is divided into two distinct kinds of activities:

Governmental Activities - Most of the County's programs and services are reported here including human services, health, public safety, public works and general government. These services are funded primarily by taxes and intergovernmental revenues including federal and state grants and other shared revenues.

Business-Type Activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided.

Reporting the County's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

CARROLL COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2003 UNAUDITED

Fund financial reports provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the General Fund, Motor Vehicle and Gas Tax, County Board of Mental Retardation and Developmentally Disabled (MRDD), Public Assistance and County Home. The analysis of the County's major governmental and proprietary funds begins on page 10.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The County maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental financial statements can be found on pages 17 - 22 of this report.

Proprietary Funds

The County maintains one type of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its sewer and sanitary landfill operations. The basic proprietary fund financial statements can be found on pages 28 - 30 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 31 - 32 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 33 - 68 of this report.

CARROLL COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED

Government-Wide Financial Analysis

The Statement of Net Assets provides the perspective of the County as a whole. This is the first year for government-wide financial statements using the full accrual basis of accounting; therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

The table below provides a summary of the County's net assets for 2003.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
	<u>2003</u>	<u>2003</u>
<u>Assets</u>		
Current and other assets	\$ 10,697,747	\$ 726,525
Capital assets	<u>13,775,370</u>	<u>7,701,776</u>
Total assets	<u>24,473,117</u>	<u>8,428,301</u>
<u>Liabilities</u>		
Long-term liabilities outstanding	1,344,096	7,038,212
Other liabilities	<u>4,344,743</u>	<u>229,935</u>
Total liabilities	<u>5,688,839</u>	<u>7,268,147</u>
<u>Net Assets</u>		
Invested in capital assets, net of debt	13,365,960	4,482,076
Restricted	4,153,191	28,970
Unrestricted	<u>1,265,127</u>	<u>(3,350,892)</u>
Total net assets	<u>\$ 18,784,278</u>	<u>\$ 1,160,154</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2003, the County's assets exceeded liabilities by \$19,944,432. This amounts to \$18,784,278 in governmental activities and \$1,160,154 in business-type activities. The County's finances remained strong during 2003, despite the decline in the economy.

Capital assets reported on the government-wide statements represent the largest portion of the County's net assets. At year-end, capital assets represented 65.28% of total governmental and business-type assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2003, was \$17,848,036. These capital assets are used to provide services to citizens and are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2003, the County is able to report positive balances in all three categories of net assets for the governmental activities. Business-type activities reported a deficit unrestricted net asset balance, primarily due to the \$3,733,488 estimated accrued liability for landfill closure and post closure costs.

A portion of the County's net assets, \$4,182,161 or 20.97%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of government-wide unrestricted net assets is \$(2,085,765).

CARROLL COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED

The table below shows the changes in net assets for fiscal year 2003. Since this is the first year the County has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2002 are not available. A comparative analysis will be provided in future years when prior year information is available.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
	<u>2003</u>	<u>2003</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 2,519,884	\$ 653,333
Operating grants and contributions	9,474,658	85,525
Capital grants and contributions	248,412	-
General revenues:		
Property taxes	3,602,963	-
Sales tax	1,585,980	-
Unrestricted grants	1,090,408	-
Investment earnings	67,984	2,043
Other	<u>991,171</u>	<u>37,216</u>
Total revenues	<u>19,581,460</u>	<u>778,117</u>
<u>Expenses</u>		
Program expenses:		
General government	3,639,724	-
Public safety	2,232,094	-
Public works	4,801,310	-
Health	3,796,003	-
Human services	4,812,681	-
Economic development	350,221	-
Urban redevelopment and housing	307,456	-
Other	570,599	-
Interest and fiscal charges	28,665	-
Sewer	-	870,578
Sanitary landfill	<u>-</u>	<u>140,825</u>
Total expenses	<u>20,538,753</u>	<u>1,011,403</u>
Change in net assets	(957,293)	(233,286)
Net assets at beginning of year (restated)	<u>19,741,571</u>	<u>1,393,440</u>
Net assets at end of year	<u>\$ 18,784,278</u>	<u>\$ 1,160,154</u>

CARROLL COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2003 UNAUDITED

Governmental Activities

Governmental assets decreased by \$957,293 in 2003 from 2002. This decrease is due to steady revenues and increased expenses in 2003 compared to 2002.

General government represents activities related to the governing body as well as activities that directly support County programs. In 2003, general government expenses totaled \$3,639,724, or 17.72% of total governmental expenses. General government programs were supported by \$1,559,003 in direct charges to users and operating grants and contributions.

The County program, public works, accounted for \$4,801,310 or 23.38% of total governmental expenses. Public works programs include the maintenance and construction of County roads and bridges. Public works programs are primarily supported by revenues from motor vehicle licenses and gasoline taxes.

The largest program is human services, which supports the operations of the County Home, Public Assistance, and the Children Services Board. The program accounted for \$4,812,681 of expenses, or 23.43% of total governmental expenses of the County during 2003. These expenses were funded by \$719,199 in charges to users of services and \$3,408,512 in operating grants and contributions in 2003.

Operating grants were the largest type of program revenue. The state and federal government contributed revenues of \$9,474,658 in operating grants and contributions and \$248,412 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$3,048,512, or 32.18%, subsidized human services programs and \$3,022,079, or 31.90%, subsidized public works programs. Another type of program revenue, direct charges to users of governmental activities, made up \$2,519,884 or 12.87% of total governmental revenues. These charges for services and sales include fees for real estate transfers, licenses and permits, and fines and forfeitures related to judicial activities.

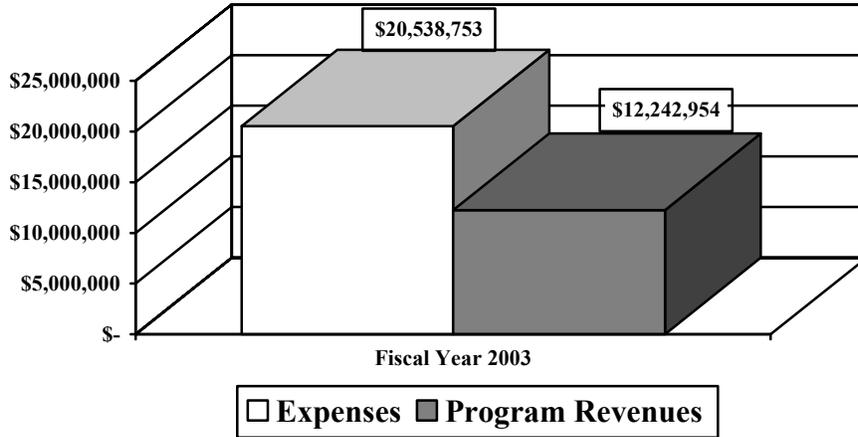
General revenues totaled \$7,338,506, and amounted to 37.48% of total revenues. These revenues primarily consist of property and sales tax revenue of \$5,188,943, or 70.71% of total general revenues in 2003. Property taxes increased by 23.98% during 2003, primarily due to increased collections of \$460,282 in the MRRD fund. Sales tax increased only 0.27% in 2003, despite the decline in the economy. The other primary source of general revenues is grants and entitlements not restricted to specific programs, with local government and local government revenue assistance making up \$582,760, or 53.44% of the total. In August 2002, the state placed a freeze on local government and local government revenue assistance to be distributed to local governments in 2003. Interest earnings, which were \$67,984, decreased significantly by \$41,580 or 37.92% due to the economy.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2003. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements. Comparisons to 2002 have not been presented since they are not available.

CARROLL COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED

Governmental Activities – Program Revenues vs. Total Expenses



Governmental Activities

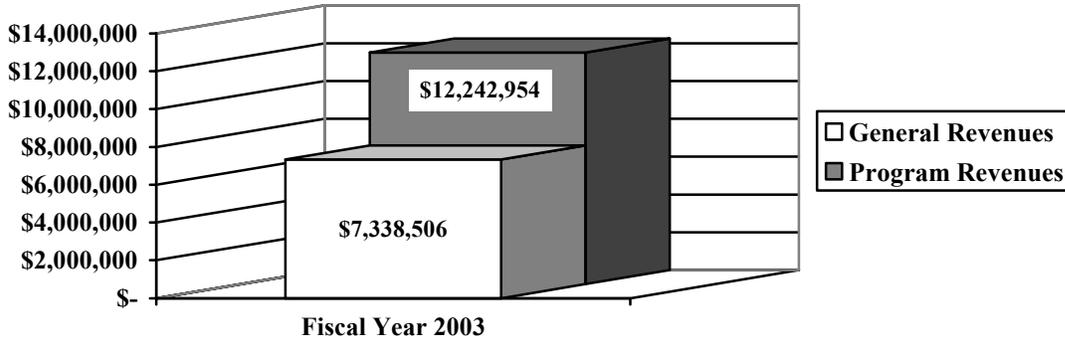
	Total Cost of Services <u>2003</u>	Net Cost of Services <u>2003</u>
Expenses:		
General government	\$ 3,639,724	\$2,080,721
Public safety	2,232,094	1,594,466
Public works	4,801,310	1,526,524
Health	3,796,003	2,240,559
Human services	4,812,681	684,970
Economic development and assistance	350,221	(73,623)
Urban redevelopment and housing	307,456	(113,409)
Other	570,599	326,926
Interest and fiscal charges	<u>28,665</u>	<u>28,665</u>
 Total expenses	 <u>\$ 20,538,753</u>	 <u>\$8,295,799</u>

The dependence upon general revenues for governmental activities is apparent; with 40.39% expenses supported through taxes and other general revenues during 2003.

CARROLL COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED**

Governmental Activities - General and Program Revenues



Business-Type Activities

The Sewer and Sanitary Landfill funds are the County's two major enterprise funds. These programs had revenues of \$778,117 and expenses of \$1,011,403 for fiscal year 2003. The net assets of the programs decreased by \$233,286 or 16.74% from 2002. During 2003, the Sewer fund received proceeds of \$77,824 from a \$200,000 loan from the United States Department, Rural development to provide resources to complete the Malvern Sewerline improvements, which began in 2000.

Financial Analysis of the Government's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the County's net resources available for spending at year-end.

The County's governmental funds (as presented on the balance sheet on pages 17 - 18) reported a combined fund balance of \$4,234,113, which is \$281,614 above last year's total of \$3,952,499 (as restated, see Note 3.A. to the financial statements for detail). The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2003 and December 31, 2002, for all major and nonmajor governmental funds.

CARROLL COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED

	<u>Fund Balance</u> <u>December 31, 2003</u>	<u>Fund Balance</u> <u>December 31, 2002</u>	<u>Increase</u> <u>(Decrease)</u>
Major Funds:			
General	\$ 903,163	\$ 1,005,479	\$ (102,316)
Motor Vehicle and Gas Tax	1,111,265	898,700	212,565
County Board of MRDD	186,603	143,485	43,118
Public Assistance	393,120	175,322	217,798
County Home	38,978	7,663	31,315
Other Nonmajor Governmental Funds	<u>1,600,984</u>	<u>1,721,850</u>	<u>(120,866)</u>
Total	<u>\$ 4,234,113</u>	<u>\$ 3,952,499</u>	<u>\$ 281,614</u>

General Fund

The general fund is the operating fund of the County. At the end of the fiscal year, the fund balance of the general fund was \$903,163, a 10.18% decrease from 2002. The decrease of the general fund balance in 2003 was primarily due to the increase of overall expenditures offset by flat revenues.

Motor Vehicle and Gas Tax Fund

The motor vehicle and gas tax fund, a County major fund, had revenues of \$2,984,678 in 2003. The motor vehicle and gas tax fund had expenditures of \$2,772,113 in 2003. The motor vehicle and gas tax fund balance increased \$212,565 from 2002 to 2003.

County Board of Mental Retardation and Developmentally Disabled (MRDD)

The County board of MRDD, a County major fund, had revenues of \$3,562,673 in 2003. The County board of MRDD had expenditures of \$3,519,555 in 2003. The County board of MRDD fund balance increased \$43,118 from 2002 to 2003.

Public Assistance Fund

The public assistance fund, a County major fund, had revenues of \$2,500,834 in 2003. The public assistance fund had expenditures of \$2,560,151 in 2003. The public assistance fund balance increased \$217,798 from 2002 to 2003.

County Home Fund

The County home, a County major fund, had revenues of \$1,307,430 in 2003. The County home had expenditures of \$1,276,115 in 2003. The County home fund balance increased \$31,315 from 2002 to 2003.

Budgeting Highlights - General Fund

The County's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the County's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the County's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

CARROLL COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED

There were no significant changes between the original and final budget. Actual revenues and other financing sources of \$5,272,706 exceeded final budgeted revenues and financing sources by \$79,150 or 1.50%. This significant increase is due to the County's conservative approach to budgeting. Another difference between the final budgeted appropriations and actual expenditures and other financing uses was a \$54,093 or 0.95% decrease in expenditures.

Proprietary Funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, but in more detail.

Capital Assets and Debt Administration

Capital Assets

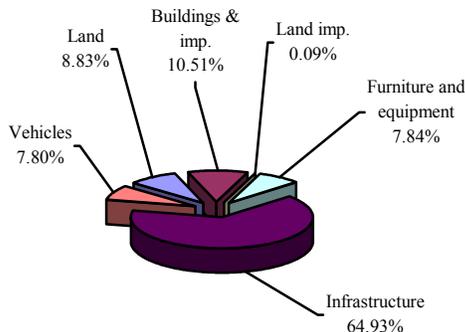
At the end of 2003, the County had \$21,477,146 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. Of this total, \$13,775,370 was reported in governmental activities and \$7,701,776 was reported in business-type activities, see Note 10 to the basic financial statements for detail. The following table shows fiscal 2003 balances compared to 2002:

**Capital Assets at December 31
(Net of Depreciation)**

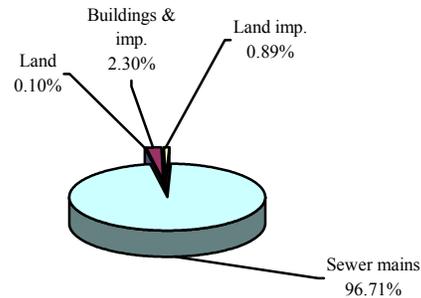
	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	\$ 1,216,642	\$ 1,216,642	\$ 7,500	\$ 7,500	\$ 1,224,142	\$ 1,224,142
Land improvements	11,961	13,796	177,051	187,790	189,012	201,586
Building and improvements	1,447,777	1,532,191	68,351	75,003	1,516,128	1,607,194
Furniture and equipment	1,080,001	1,174,950	-	-	1,080,001	1,174,950
Vehicles	1,073,983	1,247,277	-	-	1,073,983	1,247,277
Infrastructure	8,945,006	10,170,270	-	-	8,945,006	10,170,270
Sewer mains	-	-	7,448,874	7,648,828	7,448,874	7,648,828
Total	\$ 13,775,370	\$ 15,355,126	\$ 7,701,776	\$ 7,919,121	\$ 21,477,146	\$ 23,274,247

The following graphs show the breakdown of governmental capital assets by category for 2003 and 2002.

Capital Assets - Governmental Activities 2003



Capital Assets - Business-Type Activities 2003



CARROLL COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED

Debt Administration

The County had the following long-term obligations outstanding at December 31, 2003 and 2002:

	Governmental Activities <u>2003</u>	Governmental Activities <u>2002</u>
General obligation bonds	\$ 302,000	\$ 370,000
Special assessment bonds	42,000	49,000
Note	-	5,870
OPWC loan	24,419	29,302
Capital lease obligations	<u>40,991</u>	<u>48,937</u>
Total long-term obligations	<u>\$ 409,410</u>	<u>\$ 503,109</u>
	Business-Type Activities <u>2003</u>	Business-Type Activities <u>2002</u>
Revenue bonds	\$ 3,219,700	\$ 3,261,400
USDA loan	<u>77,824</u>	<u>-</u>
Total long-term obligations	<u>\$ 3,297,524</u>	<u>\$ 3,261,400</u>

See Note 13 to the basic financial statements for additional disclosures and detail regarding the County's debt activity.

Economic Factors and Next Year's Budgets and Rates

The following economic factors were taken into consideration in preparing the budget for fiscal year 2004:

The County's unemployment rate is currently 8.1%, compared to the 6.1% state average and the 6.0% national average.

State funding, sales tax revenue and investment earnings are expected to decline.

These economic factors were considered in preparing the County's budget for fiscal year 2004. Budgeted revenues and other financing sources in the general fund for fiscal year 2004 budget are \$5,190,000. With the continuation of conservative budgeting practices, the County's financial position should remain strong in future years.

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Leroy VanHorne, Carroll County Auditor, 119 Public Square, Carrollton, OH 44615-1495.

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CARROLL COUNTY, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2003

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activity</u>	<u>Total</u>	
Assets:				
Equity in pooled cash and cash equivalents	\$ 3,515,231	\$ 645,521	\$ 4,160,752	\$ -
Cash with fiscal and escrow agents	58,775	-	58,775	45,048
Receivables (net of allowances for uncollectibles):				
Sales taxes	246,508	-	246,508	-
Real estate and other taxes	3,678,006	-	3,678,006	-
Accounts	109,404	50,885	160,289	13,430
Due from other governments	2,697,347	-	2,697,347	-
Accrued interest	2,033	112	2,145	-
Prepayments	60,447	413	60,860	-
Materials and supplies inventory	329,996	624	330,620	-
Notes receivable	-	-	-	100,000
Restricted assets:				
Equity in pooled cash and cash equivalents	-	28,970	28,970	-
Capital assets:				
Land	1,216,642	7,500	1,224,142	-
Depreciable capital assets, net	<u>12,558,728</u>	<u>7,694,276</u>	<u>20,253,004</u>	<u>226,542</u>
Total capital assets	<u>13,775,370</u>	<u>7,701,776</u>	<u>21,477,146</u>	<u>226,542</u>
Total assets	<u>24,473,117</u>	<u>8,428,301</u>	<u>32,901,418</u>	<u>385,020</u>
Liabilities:				
Accounts payable	449,157	15,979	465,136	-
Retainage payable	-	175,001	175,001	-
Accrued wages and benefits	77,356	2,106	79,462	3,724
Due to other governments	212,337	2,589	214,926	-
Deferred revenue	3,575,026	-	3,575,026	-
Accrued interest payable	3,535	34,260	37,795	-
Amount to be repaid to claimants	27,332	-	27,332	-
Long-term liabilities:				
Due within one year	147,458	44,000	191,458	75,000
Due in more than one year	<u>1,196,638</u>	<u>6,994,212</u>	<u>8,190,850</u>	<u>-</u>
Total liabilities	<u>5,688,839</u>	<u>7,268,147</u>	<u>12,956,986</u>	<u>78,724</u>
Net assets:				
Invested in capital assets, net of related debt	13,365,960	4,482,076	17,848,036	-
Restricted for:				
Capital projects	160,110	-	160,110	-
Debt service	23,434	-	23,434	-
Public works projects	2,148,107	-	2,148,107	-
Human services programs	601,129	-	601,129	-
Other purposes	1,220,411	28,970	1,249,381	-
Unrestricted	<u>1,265,127</u>	<u>(3,350,892)</u>	<u>(2,085,765)</u>	<u>306,296</u>
Total net assets	<u>\$ 18,784,278</u>	<u>\$ 1,160,154</u>	<u>\$ 19,944,432</u>	<u>\$ 306,296</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CARROLL COUNTY, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General government:				
Legislative and executive	\$ 2,798,823	\$ 1,298,367	\$ 12,810	\$ -
Judicial	840,901	247,826	-	-
Public safety	2,232,094	146,400	491,228	-
Public works	4,801,310	4,295	3,022,079	248,412
Health	3,796,003	88,351	1,467,093	-
Human services	4,812,681	719,199	3,408,512	-
Economic development and assistance	350,221	11,696	412,148	-
Urban redevelopment and housing	307,456	-	420,865	-
Other	570,599	3,750	239,923	-
Interest and fiscal charges	28,665	-	-	-
Total governmental activities	<u>20,538,753</u>	<u>2,519,884</u>	<u>9,474,658</u>	<u>248,412</u>
Business-Type Activities:				
Sewer	870,578	603,333	15,525	-
Sanitary Landfill	140,825	50,000	70,000	-
Total business-type activities	<u>1,011,403</u>	<u>653,333</u>	<u>85,525</u>	<u>-</u>
Total primary government	<u>\$ 21,550,156</u>	<u>\$ 3,173,217</u>	<u>\$ 9,560,183</u>	<u>\$ 248,412</u>
Component Unit:				
Carroll Hills Industries, Inc.	<u>\$ 199,832</u>	<u>\$ 186,600</u>	<u>-</u>	<u>\$ -</u>

General Revenues:

Property taxes levied for:
General fund
Human services - County Board of MRDD
Human services - County Home
Public works - Road Levy
Sales taxes
Grants and entitlements not restricted to specific programs
Investment earnings
Miscellaneous
Total general revenues
Change in net assets
Net assets at beginning of year (restated)
Net assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Primary Government			
Governmental Activities	Business-Type Activity	Total	Component Unit
\$ (1,487,646)	\$ -	\$ (1,487,646)	\$ -
(593,075)	-	(593,075)	-
(1,594,466)	-	(1,594,466)	-
(1,526,524)	-	(1,526,524)	-
(2,240,559)	-	(2,240,559)	-
(684,970)	-	(684,970)	-
73,623	-	73,623	-
113,409	-	113,409	-
(326,926)	-	(326,926)	-
(28,665)	-	(28,665)	-
<u>(8,295,799)</u>	<u>-</u>	<u>(8,295,799)</u>	<u>-</u>
-	(251,720)	(251,720)	(503,440)
<u>-</u>	<u>(20,825)</u>	<u>(20,825)</u>	<u>-</u>
-	(272,545)	(272,545)	-
<u>(8,295,799)</u>	<u>(272,545)</u>	<u>(8,568,344)</u>	<u>-</u>
-	-	-	(13,232)
1,348,884	-	1,348,884	-
1,455,459	-	1,455,459	-
571,638	-	571,638	-
226,982	-	226,982	-
1,585,980	-	1,585,980	-
1,090,408	-	1,090,408	-
67,984	2,043	70,027	-
991,171	37,216	1,028,387	-
<u>7,338,506</u>	<u>39,259</u>	<u>7,377,765</u>	<u>-</u>
(957,293)	(233,286)	(1,190,579)	(13,232)
<u>19,741,571</u>	<u>1,393,440</u>	<u>21,135,011</u>	<u>319,528</u>
<u>\$ 18,784,278</u>	<u>\$ 1,160,154</u>	<u>\$ 19,944,432</u>	<u>\$ 306,296</u>

CARROLL COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2003

	<u>General</u>	<u>Motor Vehicle and Gas Tax</u>	<u>County Board of MRDD</u>	<u>Public Assistance</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 515,420	\$ 532,784	\$ 246,138	\$ 460,891
Cash with fiscal and escrow agents	58,775	-	-	-
Receivables (net of allowance for uncollectibles):				
Sales taxes	246,508	-	-	-
Real estate and other taxes	1,408,304	-	1,463,362	-
Accounts	68,753	3,063	-	2,034
Due from other funds	29,389	-	-	3,004
Due from other governments	360,353	1,513,743	114,414	33,094
Accrued interest	1,877	-	-	-
Interfund loan receivable	15,722	-	-	-
Advances to other funds	6,000	-	-	-
Prepayments	51,533	-	2,854	4,562
Materials and supplies inventory	18,505	294,602	2,883	1,270
	<u>2,781,139</u>	<u>2,344,192</u>	<u>1,829,651</u>	<u>504,855</u>
Total assets	<u>\$ 2,781,139</u>	<u>\$ 2,344,192</u>	<u>\$ 1,829,651</u>	<u>\$ 504,855</u>
Liabilities:				
Accounts payable	\$ 94,235	\$ 98,404	\$ 15,865	\$ 55,977
Accrued wages and benefits	17,313	12,824	20,444	10,725
Due to other funds	4,125	-	-	2,646
Due to other governments	97,359	18,027	28,963	42,387
Interfund loan payable	-	-	-	-
Advances from other funds	-	-	-	-
Deferred revenue	1,637,612	1,103,672	1,577,776	-
Amount to be repaid to claimants	27,332	-	-	-
	<u>1,877,976</u>	<u>1,232,927</u>	<u>1,643,048</u>	<u>111,735</u>
Total liabilities	<u>1,877,976</u>	<u>1,232,927</u>	<u>1,643,048</u>	<u>111,735</u>
Fund Balances:				
Reserved for encumbrances	200,511	2,113	6,052	71,498
Reserved for prepayments	51,533	-	2,854	4,562
Reserved for materials and supplies inventory	18,505	294,602	2,883	1,270
Reserved for advances	6,000	-	-	-
Reserved for unclaimed monies	21,745	-	-	-
Unreserved, undesignated, reported in:				
General fund	604,869	-	-	-
Special revenue funds	-	814,550	174,814	315,790
Debt service fund	-	-	-	-
Capital projects funds	-	-	-	-
	<u>903,163</u>	<u>1,111,265</u>	<u>186,603</u>	<u>393,120</u>
Total fund balances	<u>903,163</u>	<u>1,111,265</u>	<u>186,603</u>	<u>393,120</u>
Total liabilities and fund balances	<u>\$ 2,781,139</u>	<u>\$ 2,344,192</u>	<u>\$ 1,829,651</u>	<u>\$ 504,855</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

County Home	Other Governmental Funds	Total Governmental Funds
\$ 80,949	\$ 1,679,049	\$ 3,515,231
-	-	58,775
-	-	246,508
574,151	232,189	3,678,006
-	35,554	109,404
4,125	-	36,518
34,009	641,734	2,697,347
-	156	2,033
-	33,525	49,247
-	-	6,000
1,498	-	60,447
1,417	11,319	329,996
<u>\$ 696,149</u>	<u>\$ 2,633,526</u>	<u>\$ 10,789,512</u>
\$ 29,930	\$ 154,746	\$ 449,157
8,326	7,724	77,356
-	29,747	36,518
10,755	14,846	212,337
-	49,247	49,247
-	6,000	6,000
608,160	770,232	5,697,452
-	-	27,332
<u>657,171</u>	<u>1,032,542</u>	<u>6,555,399</u>
6,508	185,818	472,500
1,498	-	60,447
1,417	11,319	329,996
-	-	6,000
-	-	21,745
-	-	604,869
29,555	1,222,295	2,557,004
-	26,969	26,969
-	154,583	154,583
<u>38,978</u>	<u>1,600,984</u>	<u>4,234,113</u>
<u>\$ 696,149</u>	<u>\$ 2,633,526</u>	<u>\$ 10,789,512</u>

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CARROLL COUNTY, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2003

Total governmental fund balances		\$	4,234,113
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			13,775,370
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.			
Property taxes	\$	102,980	
Intergovernmental revenues		<u>2,019,446</u>	
Total			2,122,426
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(302,000)	
Special assessment bonds		(42,000)	
OWPC loan payable		(24,419)	
Compensated absences		(934,686)	
Capital leases payable		(40,991)	
Accrued interest payable		<u>(3,535)</u>	
Total			<u>(1,347,631)</u>
Net assets of governmental activities		\$	<u><u>18,784,278</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CARROLL COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>General</u>	<u>Motor Vehicle and Gas Tax</u>	<u>County Board of MRDD</u>	<u>Public Assistance</u>
Revenues:				
Property taxes	\$ 1,348,418	\$ -	\$ 1,454,910	\$ -
Sales taxes	1,585,980	-	-	-
Charges for services	1,040,354	-	-	-
Licenses and permits	2,741	-	-	-
Fines and forfeitures	76,824	40,071	-	-
Intergovernmental	772,220	2,939,076	1,658,780	2,493,881
Special assessments	-	-	-	-
Investment income	62,530	-	-	-
Rental income	24,465	-	-	-
Other	357,399	5,531	448,983	6,953
Total revenues	<u>5,270,931</u>	<u>2,984,678</u>	<u>3,562,673</u>	<u>2,500,834</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	2,172,103	-	-	-
Judicial	757,336	-	-	-
Public safety	1,680,305	-	-	-
Public works	77,794	2,772,113	-	-
Health	40,951	-	3,515,802	-
Human services	102,119	-	-	2,552,828
Economic development and assistance	9,025	-	-	-
Urban redevelopment and housing	-	-	-	-
Other	367,878	-	-	-
Capital outlay	44,480	-	-	-
Debt service:				
Principal retirement	42,628	-	2,666	7,132
Interest and fiscal charges	2,737	-	1,087	191
Total expenditures	<u>5,297,356</u>	<u>2,772,113</u>	<u>3,519,555</u>	<u>2,560,151</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(26,425)</u>	<u>212,565</u>	<u>43,118</u>	<u>(59,317)</u>
Other financing sources (uses):				
Proceeds from sale of capital assets	5,064	-	-	-
Proceeds from capital lease transaction	44,480	-	-	-
Transfers in	3	-	-	277,115
Transfers out	(125,438)	-	-	-
Total other financing sources (uses)	<u>(75,891)</u>	<u>-</u>	<u>-</u>	<u>277,115</u>
Net change in fund balances	(102,316)	212,565	43,118	217,798
Fund balances at beginning of year (restated)	<u>1,005,479</u>	<u>898,700</u>	<u>143,485</u>	<u>175,322</u>
Fund balances at end of year	<u><u>\$ 903,163</u></u>	<u><u>\$ 1,111,265</u></u>	<u><u>\$ 186,603</u></u>	<u><u>\$ 393,120</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

County Home	Other Governmental Funds	Total Governmental Funds
\$ 571,418	\$ 226,735	\$ 3,601,481
-	-	1,585,980
601,767	736,073	2,378,194
-	-	2,741
-	19,339	136,234
127,273	2,276,004	10,267,234
-	16,339	16,339
-	7,942	70,472
-	36,546	61,011
6,972	275,435	1,101,273
<u>1,307,430</u>	<u>3,594,413</u>	<u>19,220,959</u>
-	495,699	2,667,802
-	57,190	814,526
-	455,090	2,135,395
-	301,310	3,151,217
-	89,870	3,646,623
1,276,115	853,614	4,784,676
-	340,976	350,001
-	307,456	307,456
-	212,759	580,637
-	338,537	383,017
-	85,753	138,179
-	25,345	29,360
<u>1,276,115</u>	<u>3,563,599</u>	<u>18,988,889</u>
<u>31,315</u>	<u>30,814</u>	<u>232,070</u>
-	-	5,064
-	-	44,480
-	119,676	396,794
-	(271,356)	(396,794)
-	(151,680)	49,544
31,315	(120,866)	281,614
7,663	1,721,850	3,952,499
<u>\$ 38,978</u>	<u>\$ 1,600,984</u>	<u>\$ 4,234,113</u>

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CARROLL COUNTY, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003

Net change in fund balances - total governmental funds	\$	281,614
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$3,154,722) exceeded capital outlays (\$1,588,485) in the current period.		(1,566,237)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		(13,519)
Proceeds of capital lease transactions are other financing sources in the governmental funds, but increase liabilities in governmental activities.		(44,480)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		355,437
Repayment of bond, loan, note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		138,179
In the statement of activities, interest is accrued on outstanding outstanding bonds and loans, whereas in governmental funds, an interest expenditure is reported when due.		695
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		<u>(108,982)</u>
Change in net assets of governmental activities	\$	<u><u>(957,293)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CARROLL COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2003

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property taxes	\$ 1,309,457	\$ 1,320,000	\$ 1,342,878	\$ 22,878
Sales taxes	1,468,180	1,480,000	1,549,891	69,891
Charges for services	989,236	997,200	1,043,490	46,290
Licenses and permits	1,463	1,475	2,741	1,266
Fines and forfeitures	67,457	68,000	74,557	6,557
Intergovernmental	802,470	808,930	760,471	(48,459)
Investment income	49,601	50,000	63,793	13,793
Rental income	36,705	37,000	24,465	(12,535)
Other	369,873	372,851	342,005	(30,846)
Total revenues	<u>5,094,442</u>	<u>5,135,456</u>	<u>5,204,291</u>	<u>68,835</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	2,389,021	2,406,783	2,376,356	30,427
Judicial	803,545	809,519	805,410	4,109
Public safety	1,809,450	1,822,903	1,807,526	15,377
Public works	82,628	83,242	83,141	101
Health	40,847	41,151	41,151	-
Human services	122,082	122,990	114,285	8,705
Economic development and assistance	8,934	9,000	9,000	-
Other	330,151	332,606	332,420	186
Total expenditures	<u>5,586,658</u>	<u>5,628,194</u>	<u>5,569,289</u>	<u>58,905</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(492,216)</u>	<u>(492,738)</u>	<u>(364,998)</u>	<u>127,740</u>
Other financing sources (uses):				
Proceeds from the sale of capital assets	496	500	5,064	4,564
Transfers in	-	-	5,591	5,591
Transfers out	(124,513)	(125,439)	(131,029)	(5,590)
Advances in	57,140	57,600	57,760	160
Advances out	(16,378)	(16,500)	(15,722)	778
Total other financing sources (uses)	<u>(83,255)</u>	<u>(83,839)</u>	<u>(78,336)</u>	<u>5,503</u>
Net change in fund balance	(575,471)	(576,577)	(443,334)	133,243
Fund balance at beginning of year (restated) . . .	254,109	254,109	254,109	-
Prior year encumbrances appropriated	<u>359,069</u>	<u>359,069</u>	<u>359,069</u>	<u>-</u>
Fund balance at end of year	<u>\$ 37,707</u>	<u>\$ 36,601</u>	<u>\$ 169,844</u>	<u>\$ 133,243</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CARROLL COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 MOTOR VEHICLE AND GAS TAX
 FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and forfeitures	\$ 37,177	\$ 39,800	\$ 39,804	\$ 4
Intergovernmental	2,692,658	2,882,670	2,882,945	275
Other	5,165	5,530	5,531	1
Total revenues	<u>2,735,000</u>	<u>2,928,000</u>	<u>2,928,280</u>	<u>280</u>
Expenditures:				
Current:				
Public works	<u>3,156,491</u>	<u>3,268,937</u>	<u>3,029,785</u>	<u>239,152</u>
Total expenditures	<u>3,156,491</u>	<u>3,268,937</u>	<u>3,029,785</u>	<u>239,152</u>
Net change in fund balance.	(421,491)	(340,937)	(101,505)	239,432
Fund balance at beginning of year	328,262	328,262	328,262	-
Prior year encumbrances appropriated	<u>205,675</u>	<u>205,675</u>	<u>205,675</u>	<u>-</u>
Fund balance at end of year	<u>\$ 112,446</u>	<u>\$ 193,000</u>	<u>\$ 432,432</u>	<u>\$ 239,432</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CARROLL COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 COUNTY BOARD OF MRDD
 FOR THE YEAR ENDED DECEMBER 31, 2003

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property taxes	\$ 1,371,842	\$ 1,444,921	\$ 1,448,536	\$ 3,615
Intergovernmental	1,572,318	1,656,078	1,660,220	4,142
Other	423,765	446,340	448,983	2,643
Total revenues	3,367,925	3,547,339	3,557,739	10,400
Expenditures:				
Current:				
Health	2,970,329	3,681,890	3,643,616	38,274
Total expenditures	2,970,329	3,681,890	3,643,616	38,274
Excess (deficiency) of revenues over (under) expenditures	397,596	(134,551)	(85,877)	48,674
Other financing sources (uses):				
Advances in	-	-	720	720
Advances out	-	-	(720)	(720)
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	397,596	(134,551)	(85,877)	48,674
Fund balance at beginning of year	182,527	182,527	182,527	-
Prior year encumbrances appropriated	94,129	94,129	94,129	-
Fund balance at end of year	\$ 674,252	\$ 142,105	\$ 190,779	\$ 48,674

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CARROLL COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 PUBLIC ASSISTANCE
 FOR THE YEAR ENDED DECEMBER 31, 2003

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental	\$ 2,330,000	\$ 2,462,577	\$ 2,462,637	\$ 60
Other	<u>165,000</u>	<u>1,915</u>	<u>1,915</u>	-
Total revenues	<u>2,495,000</u>	<u>2,464,492</u>	<u>2,464,552</u>	<u>60</u>
Expenditures:				
Current:				
Human services	<u>3,042,695</u>	<u>2,864,541</u>	<u>2,857,322</u>	<u>7,219</u>
Total expenditures	<u>3,042,695</u>	<u>2,864,541</u>	<u>2,857,322</u>	<u>7,219</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(547,695)</u>	<u>(400,049)</u>	<u>(392,770)</u>	<u>7,279</u>
Other financing sources (uses):				
Transfers in	<u>313,000</u>	<u>277,108</u>	<u>277,115</u>	<u>7</u>
Total other financing sources (uses)	<u>313,000</u>	<u>277,108</u>	<u>277,115</u>	<u>7</u>
Net change in fund balance	(234,695)	(122,941)	(115,655)	7,286
Fund balance at beginning of year	173,563	173,563	173,563	-
Prior year encumbrances appropriated	<u>253,178</u>	<u>253,178</u>	<u>253,178</u>	-
Fund balance at end of year	<u>\$ 192,046</u>	<u>\$ 303,800</u>	<u>\$ 311,086</u>	<u>\$ 7,286</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CARROLL COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 COUNTY HOME
 FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 588,000	\$ 568,595	\$ 569,039	\$ 444
Charges for services	625,000	601,065	601,534	469
Intergovernmental	105,000	127,174	127,273	99
Other	2,500	6,966	6,972	6
Total revenues	<u>1,320,500</u>	<u>1,303,800</u>	<u>1,304,818</u>	<u>1,018</u>
Expenditures:				
Current:				
Human services	<u>1,218,176</u>	<u>1,359,776</u>	<u>1,350,205</u>	<u>9,571</u>
Total expenditures	<u>1,218,176</u>	<u>1,359,776</u>	<u>1,350,205</u>	<u>9,571</u>
Net change in fund balance	102,324	(55,976)	(45,387)	10,589
Fund balance at beginning of year	14,596	14,596	14,596	-
Prior year encumbrances appropriated	<u>63,051</u>	<u>63,051</u>	<u>63,051</u>	<u>-</u>
Fund balance at end of year	<u>\$ 179,971</u>	<u>\$ 21,671</u>	<u>\$ 32,260</u>	<u>\$ 10,589</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CARROLL COUNTY, OHIO

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2003

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Sanitary Landfill</u>	<u>Total</u>
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents	\$ 630,887	\$ 14,634	\$ 645,521
Receivables (net of allowance for uncollectibles):			
Accounts	50,885	-	50,885
Accrued interest	112	-	112
Prepayments	413	-	413
Materials and supplies inventory	624	-	624
Total current assets	<u>682,921</u>	<u>14,634</u>	<u>697,555</u>
Noncurrent assets:			
Restricted assets:			
Equity in pooled cash and cash equivalents	28,970	-	28,970
Capital assets:			
Land	7,500	-	7,500
Depreciable capital assets, net	<u>7,694,276</u>	<u>-</u>	<u>7,694,276</u>
Total capital assets	<u>7,701,776</u>	<u>-</u>	<u>7,701,776</u>
Total noncurrent assets	<u>7,730,746</u>	<u>-</u>	<u>7,730,746</u>
Total assets	<u>8,413,667</u>	<u>14,634</u>	<u>8,428,301</u>
Liabilities:			
Current liabilities:			
Accounts payable	15,979	-	15,979
Retainage payable	175,001	-	175,001
Accrued wages and benefits	2,106	-	2,106
Due to other governments	2,589	-	2,589
Accrued interest payable	34,260	-	34,260
Current portion of revenue bonds payable	<u>44,000</u>	<u>-</u>	<u>44,000</u>
Total current liabilities	<u>273,935</u>	<u>-</u>	<u>273,935</u>
Long-term liabilities:			
Compensated absences	7,200	-	7,200
Revenue bonds payable	3,175,700	-	3,175,700
Loan payable	77,824	-	77,824
Estimated accrued liability for landfill closure and post closure costs	<u>-</u>	<u>3,733,488</u>	<u>3,733,488</u>
Total long-term liabilities	<u>3,260,724</u>	<u>3,733,488</u>	<u>6,994,212</u>
Total liabilities	<u>3,534,659</u>	<u>3,733,488</u>	<u>7,268,147</u>
Net assets:			
Invested in capital assets	4,482,076	-	4,482,076
Restricted	28,970	-	28,970
Unrestricted	<u>367,962</u>	<u>(3,718,854)</u>	<u>(3,350,892)</u>
Total net assets	<u>\$ 4,879,008</u>	<u>\$ (3,718,854)</u>	<u>\$ 1,160,154</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CARROLL COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Sanitary Landfill</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 603,333	\$ 50,000	\$ 653,333
Other	2,216	35,000	37,216
Total operating revenues	<u>605,549</u>	<u>85,000</u>	<u>690,549</u>
Operating expenses:			
Personal services	290,157	-	290,157
Contract services	77,174	140,825	217,999
Materials and supplies	79,486	-	79,486
Depreciation	224,886	-	224,886
Other	51,046	-	51,046
Total operating expenses	<u>722,749</u>	<u>140,825</u>	<u>863,574</u>
Operating loss	<u>(117,200)</u>	<u>(55,825)</u>	<u>(173,025)</u>
Nonoperating revenues:			
Interest revenue	2,043	-	2,043
Intergovernmental	15,525	70,000	85,525
Interest expense and fiscal charges	(147,829)	-	(147,829)
Total nonoperating revenues	<u>(130,261)</u>	<u>70,000</u>	<u>(60,261)</u>
Change in net assets	(247,461)	14,175	(233,286)
Net assets (deficit) at beginning of year (restated) .	<u>5,126,469</u>	<u>(3,733,029)</u>	<u>1,393,440</u>
Net assets (deficit) at end of year	<u>\$ 4,879,008</u>	<u>\$ (3,718,854)</u>	<u>\$ 1,160,154</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CARROLL COUNTY, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	Business-type Activities - Enterprise Funds		
	Sewer	Sanitary Landfill	Total
Cash flows from operating activities:			
Cash received from sales/service charges	\$ 602,767	\$ 50,000	\$ 652,767
Cash received from other operating revenue	2,216	35,000	37,216
Cash payments for personal services	(302,174)	-	(302,174)
Cash payments for contract services	(87,588)	(140,825)	(228,413)
Cash payments for materials and supplies	(79,136)	-	(79,136)
Cash payments for other expenses.	(51,046)	-	(51,046)
Net cash provided by (used in) operating activities. . .	<u>85,039</u>	<u>(55,825)</u>	<u>29,214</u>
Cash flows from noncapital financing activities:			
Intergovernmental	15,525	70,000	85,525
Net cash provided by noncapital financing activities. .	<u>15,525</u>	<u>70,000</u>	<u>85,525</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets.	(7,541)	-	(7,541)
Principal retirement on revenue bonds	(41,700)	-	(41,700)
Proceeds of loans	77,824	-	77,824
Interest and fiscal charges.	(148,210)	-	(148,210)
Net cash used in capital and related financing activities	<u>(119,627)</u>	<u>-</u>	<u>(119,627)</u>
Cash flows from investing activities:			
Cash received from interest.	2,101	-	2,101
Net cash provided by investing activities	<u>2,101</u>	<u>-</u>	<u>2,101</u>
Net increase (decrease) in cash and cash equivalents	(16,962)	14,175	(2,787)
Cash and cash equivalents at beginning of year	<u>676,819</u>	<u>459</u>	<u>677,278</u>
Cash and cash equivalents at end of year	<u>\$ 659,857</u>	<u>\$ 14,634</u>	<u>\$ 674,491</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:			
Operating loss	\$ (117,200)	\$ (55,825)	\$ (173,025)
Adjustments:			
Depreciation	224,886	-	224,886
Changes in assets and liabilities:			
Increase in accounts receivable.	(566)	-	(566)
Decrease in materials and supplies inventory.	350	-	350
Increase in prepayments	(413)	-	(413)
Increase in accounts payable	1,258	-	1,258
Decrease in contracts payable.	(11,259)	-	(11,259)
Decrease in accrued wages and benefits	(5,213)	-	(5,213)
Decrease in due to other governments	(5,372)	-	(5,372)
Decrease in compensated absences payable.	(1,432)	-	(1,432)
Net cash provided by (used in) operating activities	<u>\$ 85,039</u>	<u>\$ (55,825)</u>	<u>\$ 29,214</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CARROLL COUNTY, OHIO

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 DECEMBER 31, 2003

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 7,863	\$ 1,286,989
Cash with fiscal and escrow agents	-	157,977
Receivables:		
Real estate and other taxes	-	15,392,254
Due from other governments	-	865,583
	<hr/>	<hr/>
Total assets	<u>7,863</u>	<u>\$ 17,702,803</u>
 Liabilities:		
Accounts payable	-	3,375
Accrued wages and benefits	-	1,633
Due to other governments	\$ -	\$ 370,350
Deposits held and due to others	-	17,326,457
Deferred revenue	-	988
	<hr/>	<hr/>
Total liabilities	<u>-</u>	<u>\$ 17,702,803</u>
 Net assets:		
Held in trust for other purposes	<u>7,863</u>	
	<hr/>	
Total net assets	<u>\$ 7,863</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CARROLL COUNTY, OHIO

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Private Purpose Trust</u>
Additions:	
Gifts and contributions	\$ 726
Total additions	<u>726</u>
Deductions:	
Benefits	<u>5,248</u>
Change in net assets	(4,522)
Net assets at the beginning of the year	<u>12,385</u>
Net assets at the end of the year	<u>\$ 7,863</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

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 basic financial statements 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 governmental and business-type activities and its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The County has the option to also apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise funds, subject to this same limitation. The County has elected not to apply these FASB Statements and Interpretations.

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 basic financial statements include all funds, 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 basic financial statements to be misleading or incomplete. Among the factors considered were separate legal standing; appointment of a voting majority of the 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.

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

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. Capital assets and long-term obligations associated with the EMA are reflected in the statement of net assets.

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.

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

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. Capital assets and long-term obligations associated with these operations are reflected in the statement of net assets.

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 BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

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 BFS, 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.

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.

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

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 2003, the County contributed \$197,893 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 Management 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.

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 618B Canton 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 as 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.

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

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

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.

B. Basis of Presentation

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government except for fiduciary funds. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the County at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities and for the single business-type activity of the County. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. The policy of the County is to not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the County.

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

C. Fund Accounting

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

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

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

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

General - This is the primary operating fund of the County. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Motor Vehicle and Gas Tax - This fund accounts for monies received by the County for state gasoline tax and vehicle registration fees used for County road and bridge maintenance, construction and improvements.

County Board of Mental Retardation and Developmentally Disabled (MRDD) - This fund accounts for the operation of a school and the costs of administering a workshop for the mentally retarded and developmentally disabled. Revenue sources include a countywide property tax levy and federal and state grants.

Public Assistance - This fund accounts for various federal and state grants, as well as transfer from the general fund used to provide public assistance to general relief recipients, pay their providers for medical assistance, and for certain public social services.

County Home - This fund accounts for revenue received from a countywide tax levy, Medicare and charges for services to provide for the room, board and care of the indigent elderly population of the County.

Other governmental funds of the County are used to account for (a) the accumulation of resources for, and payment of, long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds; and (c) for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds - Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The County has presented the following major proprietary funds:

Sewer - This fund accounts for sanitary sewer services provided to individual and commercial users in the majority of the unincorporated areas of Carroll County. The costs of providing these services are financed primarily through user charges. The sanitary sewer district has its own facilities and rate structure.

Landfill Fund - This fund accounts for the operation of the sanitary landfill. The cost of operating this facility is financed primarily through user charges.

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

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

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

D. Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the County are included on the statement of net assets.

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

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

Private-purpose trust funds are reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

E. Basis of Accounting

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

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

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

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 full 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 sales taxes, property taxes, grants, entitlements and donations. On a full accrual basis, revenue from sales taxes is recognized in the period in which the income is earned. 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 all other nonexchange transactions must also be available before it can be recognized.

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), fees and rentals.

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, 2003, but which were levied to finance 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met also are recorded as deferred revenue.

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

Expense/Expenditures - On the full accrual basis of accounting, expenses are recognized at the time they are incurred.

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

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

F. 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.

All funds, other than agency funds, are required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each department. Budgetary modifications 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.

Tax Budget - 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. All funds, except agency funds, are legally required to be budgeted. The expressed purpose of the Tax Budget is to reflect the need for existing (or increased) tax rates.

Estimated Resources - The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews revenue estimates. The Commission certifies its actions to the County by September 1. As part of this certification, the County receives 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 estimates and the Budget Commission finds the revised estimates to be reasonable. The amounts set forth in the budgetary statements represent estimates from the final amended certificate issued during 2003.

Appropriations - A temporary appropriation resolution to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual Appropriation Resolution must be passed by April 1 of each year for the period January 1 to December 31. The Appropriation Resolution may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The County legally adopted several supplemental appropriations during the year. The original budget and all budgetary amendments and supplemental appropriations necessary during 2003 are included in the final budget amounts in the budget-to-actual comparisons.

Lapsing of Appropriations - At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and is not reappropriated.

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

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

G. 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 basic financial statements.

During fiscal year 2003, 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 2003 amounted to \$62,530 which includes \$55,731 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 financial statements sheet as "Cash with Fiscal and Escrow Agents" since they are not required to be deposited into the County treasury.

For presentation on the basic financial statements, 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.

H. Inventories of Materials and Supplies

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption.

I. Capital Assets

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

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. During fiscal year 2003, the County increased its capitalization threshold from \$500 to \$1,000. The County's infrastructure consists of roads, bridges, culverts and sanitary sewers. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is also capitalized.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land improvements	10 - 40 years	N/A
Buildings	5 - 40 years	40 years
Furniture and equipment	5 - 100 years	5 - 20 years
Infrastructure	4 - 60 years	50 years
Vehicles	5 - 30 years	N/A

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The County's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project from the date of borrowing until completion of the project and the interest earned from temporary investment of the debt proceeds over the same period.

Capitalized interest is amortized on the straight-line method over the estimated useful life of the asset.

J. 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.

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 December 31, 2003, 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 December 31, 2003, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments.

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

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

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

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2003, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

L. Accrued Liabilities and Long-term Obligations

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

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

M. Interfund Transactions

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

During the normal course of operations, the County has numerous transactions between funds. Transfers represent movement of resources from a fund receiving revenue to a fund through which those resources will be expended and are recorded as other financing sources (uses) in governmental funds and as transfers in proprietary funds. Interfund transactions that would be treated as revenues and expenditures/expenses if they involved organizations external to the County are treated similarly when involving other funds of the County.

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivable/interfund payable" for the current portion of interfund loans or advances to/from other funds for the non-current portion of interfund loans. All other outstanding balances outstanding between funds are reported as "due to/from other funds." These amounts are eliminated in the Statement of Net Assets, except for any residual balances outstanding between the governmental activities and business-type activities, which are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the governmental fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

N. Fund Balance Reserves

Reserved fund balances indicate that a portion of fund equity 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, prepayments, materials and supplies inventories, advances and unclaimed monies as reservations of fund balance in the governmental funds.

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

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities of the proprietary funds. For the County, these revenues are charges for services for the sewer and sanitary landfill. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

P. Restricted Assets

Certain cash and cash equivalents are classified as restricted cash on the financial statements 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. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

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

R. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

S. Estimates

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

NOTE 3 - ACCOUNTABILITY AND CHANGE IN ACCOUNTING PRINCIPLES

A. Changes in Accounting Principles and Restatement of Fund Balance

For fiscal year 2003, the County has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At December 31, 2002, there was no effect on fund balance as a result of implementing GASB Statement Nos. 37, 38 and 41.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes and rescinds certain financial statement note disclosures.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the County not being able to present budgetary comparison for the general and each major special revenue fund.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

GASB Statement No. 34 creates new basic financial statements for reporting on the County's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 3 - ACCOUNTABILITY AND CHANGE IN ACCOUNTING PRINCIPLES - (Continued)

The government-wide financial statements split the County's programs between business-type and governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at December 2002, caused by the conversion to the accrual basis of accounting.

In addition to implementing GASB Statement No. 34, the County switched from the purchase method to the consumption method of accounting for inventory of materials and supplies. This change in accounting principle had no effect on fund balance at December 31, 2002.

Governmental Activities - Fund Reclassification and Restatement of Fund Balance - Certain governmental funds have been reclassified to properly reflect their intended purpose in accordance with the standards of GASB Statement No. 34. Certain funds previously reported as internal service funds and expendable trust funds are now reported in the general fund. A certain fund that was previously reported in the agency funds is now reported in private-purpose trust fund. In addition, monies that were previously reported in agency funds have been reported in the general fund and special revenues funds.

The fund reclassifications and the implementation of GASB Interpretation No. 6 had the following effect on the County's governmental fund balances as previously reported follows:

	<u>General</u>	<u>Motor Vehicle and Gas Tax</u>	<u>MRDD</u>	<u>Public Assistance</u>	<u>County Home</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance							
December 31, 2002	\$ 929,473	\$ 892,395	\$ 110,510	\$ 171,138	\$(9,333)	\$ 1,699,014	\$ 3,793,197
Fund reclassifications	66,302	-	29,638	-	10,905	13,766	120,611
GASB interpretation							
No. 6 adjustments	<u>9,704</u>	<u>6,305</u>	<u>3,337</u>	<u>4,184</u>	<u>6,091</u>	<u>9,070</u>	<u>38,691</u>
Restated fund balance,							
December 31, 2002	<u>\$1,005,479</u>	<u>\$ 898,700</u>	<u>\$ 143,485</u>	<u>\$ 175,322</u>	<u>\$ 7,663</u>	<u>\$ 1,721,850</u>	<u>\$ 3,952,499</u>

The transition from governmental fund balance to net assets of the governmental activities is also presented.

Restated fund balance,
December 31, 2002

\$ 3,952,499

GASB Statement No. 34 adjustments:

Capital assets	15,355,126
Long-term liabilities	(1,328,813)
Accrued interest	(4,230)
Long-term (deferred assets)	<u>1,766,989</u>

Governmental activities net
assets, December 31, 2002

\$19,741,571

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 3 - ACCOUNTABILITY AND CHANGE IN ACCOUNTING PRINCIPLES - (Continued)

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund - The general fund unencumbered fund balance at the beginning of the year has been restated from \$186,827 to \$254,109 due to a fund reclassification to properly reflect its intended purpose in accordance with GASB Statement No. 34.

Business-type Activities - Restatement of Fund Equity - A prior period adjustment is required due to the increase in the County's capitalization threshold (See Note 2.I. for detail). This prior period adjustment had the following effect on fund equity as previously reported:

	<u>Sewer</u>	<u>Sanitary Landfill</u>	<u>Total Enterprise Funds</u>
Fund equity at December 31, 2002	\$ 5,137,689	\$ (3,733,029)	\$ 1,404,660
Adjustment for capital assets	<u>(11,220)</u>	<u>-</u>	<u>(11,220)</u>
Restated net assets at January 1, 2003	<u>\$ 5,126,469</u>	<u>\$ (3,733,029)</u>	<u>\$ 1,393,440</u>

B. Deficit Fund Balances

The following funds had a deficit fund balance as of December 31, 2003:

	<u>Deficit</u>
Sanitary Landfill	\$ 3,718,854
<u>Nonmajor Governmental Funds</u>	
Juvenile Accountability Incentive	207
Drug Court Grant	1,387
Goals Grant	1,241
Industrial Park	2,525

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

A. Primary Government

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

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

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

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 monies deposited with the institution.

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

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;
9. High grade commercial paper 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; 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.

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

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 \$28,228 in undeposited cash on hand which is included on the basic financial statements 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 and cash in segregated accounts, was \$4,573,098 and the bank balance, including nonnegotiable certificates of deposit and cash in segregated accounts, was \$5,897,680. Of the bank balance:

1. \$761,278 was covered by federal depository insurance, covered by collateral held in the pledging bank's trust department in the County's name, or surety company bonds deposited with the County; and
2. \$5,136,402 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.

Investments: The County's investments are required to be categorized to give an indication of the level of custodial credit 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.

	Category 3	Fair Value
Repurchase agreement	<u>\$ 1,100,000</u>	<u>\$ 1,100,000</u>

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

The classification of cash and cash equivalents on the basic financial statements 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 basic financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$ 5,701,326	\$ -
Investments of the cash management pool:		
Repurchase agreement	(1,100,000)	1,100,000
Cash on hand	(28,228)	-
GASB Statement No. 3	\$ 4,573,098	\$ 1,100,000

B. Component Unit

At December 31, 2003, the carrying amount of the component unit's demand deposits was \$45,048. 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, 2003. There are no statutory guidelines regarding the deposit and investment of funds by a not-for-profit corporation.

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund transfers for the year ended December 31, 2003, consisted of the following, as reported on the fund financial statements:

Transfers to General Fund from:	
Nonmajor Governmental Funds	\$ 3
Transfers to Public Assistance Fund from:	
General Fund	92,349
Nonmajor Governmental Funds	184,766
Total Transfers to Public Assistance Fund	277,115
Transfers to Nonmajor Governmental Funds from:	
General Fund	33,089
Nonmajor Governmental Funds	86,587
Total Transfers to Nonmajor Governmental Funds	119,676

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- B.** Short term interfund loans consisted of the following at December 31, 2003, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 15,722
Nonmajor Governmental funds	Nonmajor Governmental funds	33,525

- C.** Long-term advances to and from other funds at December 31, 2003, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 6,000

- D.** Due from/to other funds consisted of the following at December 31, 2003, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 26,743
	Public Assistance	<u>2,646</u>
	Total due to General Fund	<u>29,389</u>
Public Assistance	Nonmajor governmental funds	3,004
County Home	General	4,125

The balances resulted from the time lag between the dates that payments between the funds are made.

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 2003 taxes were collected was \$463,686,235. The full tax rate for all County operations applied to real property for fiscal year ended December 31, 2003, was \$10.70 per \$1,000 of assessed valuation.

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values of real and tangible personal property upon which 2003 property tax receipts were based are as follows:

Real Property

Agricultural/residential	\$ 346,570,870
Commercial/industrial/mineral	45,481,850
Tangible personal property	31,362,905

Public Utility

Real	41,370
Personal	<u>40,229,240</u>

Total assessed value \$ 463,686,235

Real property taxes are payable annually or semi-annually. If paid annually, payment is due March 1. If paid semi-annually, the first payment is due March 1 and the remainder payable July 15. 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 May 10 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 estate and other taxes" receivable represents delinquent real and tangible personal property and public utility taxes outstanding as of December 31 (net of allowances for estimated uncollectibles) and real and public utility taxes which were measurable as of the year end.

Since the current levy is not intended to finance 2003 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 31 days of 2004 are shown as 2003 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.

CARROLL COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

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 2000, 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 on the fund statements at year-end for amounts that will be received from sales which occurred during 2003 and amounts that are measurable and available at year-end are accrued as revenue. Sales and use tax revenue for 2003 amounted to \$1,585,980.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2003, consisted of taxes, accounts (billings for user charged services), and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as "Due From Other Governments" on the BFS. Receivables have been recorded to the extent that they are measurable at December 31, 2003, as well as intended to finance fiscal 2003 operations.

A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental Activities:

Sales taxes	\$ 246,508
Real estate and other taxes	3,678,006
Accounts	109,404
Due from other governments	2,697,347

Business-Type Activities:

Accounts	50,885
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Receivables have been disaggregated on the face of the BFS. The only receivable not expected to be collected within the subsequent year are the special assessments which are collected over the life of the assessment.

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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 were to be repaid over periods ranging from 5 to 10 years. A summary of the loan activity for 2003 is as follows:

	<u>Balance at</u> <u>1/1/03</u>	<u>Loans</u> <u>Issued</u>	<u>Principal</u> <u>Received</u>	<u>Balance at</u> <u>12/31/03</u>
Housing Revolving Loans	\$ 53,950	\$ -	\$ (53,950)	\$ -
CDBG Loans	<u>10,916</u>	<u>-</u>	<u>(10,916)</u>	<u>-</u>
Total	<u>\$ 64,866</u>	<u>\$ -</u>	<u>\$ (64,866)</u>	<u>\$ -</u>

NOTE 10 - CAPITAL ASSETS

A. The beginning capital asset balances of the governmental activities and business-type activities have been restated reflect the increase in the capitalization threshold (see Note 2.I.), the reporting of infrastructure and depreciation of capital assets in accordance with GASB Statement No. 34 and errors and omissions reported in prior years.

	<u>Balance at</u> <u>12/31/02</u>	<u>Adjustments</u>	<u>Restated</u> <u>Balance at</u> <u>01/01/03</u>
Governmental Activities:			
Land	\$ 1,216,642	\$ -	\$ 1,216,642
Land improvements	40,403	161,674	202,077
Buildings and improvements	12,300,843	(165,167)	12,135,676
Furniture and equipment	4,739,218	(2,448,740)	2,290,478
Vehicles	2,630,388	841,542	3,471,930
Infrastructure	<u>-</u>	<u>22,536,199</u>	<u>22,536,199</u>
Less: accumulated depreciation	<u>-</u>	<u>(26,497,876)</u>	<u>(26,497,876)</u>
Total	<u>\$ 20,927,494</u>	<u>\$ (5,572,368)</u>	<u>\$ 15,355,126</u>
Business-Type Activities:			
Land	\$ 7,500	\$ -	\$ 7,500
Buildings and improvements	435,317	-	435,317
Machinery and equipment	512,773	(28,668)	484,105
Sewer lines	<u>9,997,708</u>	<u>-</u>	<u>9,997,708</u>
Less: accumulated depreciation	<u>(3,022,957)</u>	<u>17,448</u>	<u>(3,005,509)</u>
Total	<u>\$ 7,930,341</u>	<u>\$ (11,220)</u>	<u>\$ 7,919,121</u>

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 10 - CAPITAL ASSETS - (Continued)

Capital asset activity for the fiscal year ended December 31, 2003, was as follows:

	Restated Balance <u>01/01/03</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>12/31/03</u>
<u>Governmental Activities:</u>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,216,642	\$ -	\$ -	\$ 1,216,642
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, not being depreciated	<u>1,216,642</u>	<u>-</u>	<u>-</u>	<u>1,216,642</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	202,077	-	-	202,077
Building improvements	12,135,676	1,144	-	12,136,820
Furniture and equipment	2,290,478	150,392	(36,722)	2,404,148
Vehicles	3,471,930	216,537	(53,199)	3,635,268
Infrastructure	<u>22,536,199</u>	<u>1,220,412</u>	<u>-</u>	<u>23,756,611</u>
Total capital assets, being depreciated	<u>40,636,360</u>	<u>1,588,485</u>	<u>(89,921)</u>	<u>42,134,924</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(188,281)	(1,835)	-	(190,116)
Building and improvements	(10,603,485)	(85,558)	-	(10,689,043)
Furniture and equipment	(1,115,528)	(231,822)	23,203	(1,324,147)
Vehicles	(2,224,653)	(389,831)	53,199	(2,561,285)
Infrastructure	<u>(12,365,929)</u>	<u>(2,445,676)</u>	<u>-</u>	<u>(14,811,605)</u>
Total accumulated depreciation	<u>(26,497,876)</u>	<u>(3,154,722)</u>	<u>76,402</u>	<u>(29,576,196)</u>
Total capital assets, being depreciated net	<u>14,138,484</u>	<u>(1,566,237)</u>	<u>(13,519)</u>	<u>12,558,728</u>
Governmental activities capital assets, net	<u>\$ 15,355,126</u>	<u>\$ (1,566,237)</u>	<u>\$ (13,519)</u>	<u>\$ 13,775,370</u>

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 10 - CAPITAL ASSETS - (Continued)

	Restated Balance			Balance
<u>Business-Type Activities:</u>	<u>12/31/02</u>	<u>Additions</u>	<u>Deductions</u>	<u>12/31/03</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 7,500	\$ -	\$ -	\$ 7,500
Total capital assets, not being depreciated	<u>7,500</u>	<u>-</u>	<u>-</u>	<u>7,500</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	435,317	-	-	435,317
Machinery and equipment	484,105	7,541	-	491,646
Sewer lines	<u>9,997,708</u>	<u>-</u>	<u>-</u>	<u>9,997,708</u>
Total capital assets, being depreciated	<u>10,917,130</u>	<u>7,541</u>	<u>-</u>	<u>10,924,671</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(247,527)	(10,739)	-	(258,266)
Machinery and equipment	(409,102)	(14,193)	-	(423,295)
Sewer lines	<u>(2,348,880)</u>	<u>(199,954)</u>	<u>-</u>	<u>(2,548,834)</u>
Total accumulated depreciation	<u>(3,005,509)</u>	<u>(224,886)</u>	<u>-</u>	<u>(3,230,395)</u>
Total capital assets, being depreciated net	<u>7,911,621</u>	<u>(217,345)</u>	<u>-</u>	<u>7,694,276</u>
Business-type activities capital assets, net	<u>\$ 7,919,121</u>	<u>\$ (217,345)</u>	<u>\$ -</u>	<u>\$ 7,701,776</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Legislative and executive	\$ 102,734
Judicial	20,286
Public safety	102,004
Public works	2,708,958
Health	121,776
Human services	67,831
Economic development	1,519
Other	<u>29,614</u>
Total depreciation expense - governmental activities	<u>\$3,154,722</u>

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE

During 2003, the County entered into capitalized leases for the acquisition of two vehicles. During a prior year, the County entered capitalized leases for the acquisition of a copier and six vehicles. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Governmental activities capital assets consisting of equipment have been capitalized in the amount of \$223,288. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2003 totaled \$42,628 in the general fund, \$7,132 in the Public Assistance fund, and \$2,666 in the MRDD fund.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2003:

<u>Year Ending December 31,</u>	<u>Amount</u>
2004	\$ 19,941
2005	19,941
2006	3,752
2007	<u>2,815</u>
Total	46,449
Less: amount representing interest	<u>(5,458)</u>
Present value of net minimum lease payments	<u>\$ 40,991</u>

NOTE 12 - COMPENSATED ABSENCES

Vacation and sick leave accumulated by governmental fund type employees has been recorded in the statement of net assets. Vacation and sick leave earned by proprietary funds 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, 2003 vested benefits for vacation leave for governmental fund type employees totaled \$683,768 and vested benefits for sick leave totaled \$94,388. For proprietary fund types, vested benefits for vacation leave totaled \$7,200 and there were no vested benefits for sick leave. In accordance with GASB Statement No. 16, an additional liability of \$156,530 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 BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 13 - LONG-TERM OBLIGATIONS

A. Governmental Activities Long-Term Obligations

The changes in the County's governmental long-term obligations during 2003 consisted of the following:

Governmental Activities:	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at 01/01/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 12/31/03</u>	<u>Amount Due in One Year</u>
<u>General obligation bonds:</u>							
DHS Building - 7.375%	12/1/1989	12/1/2009	\$ 70,000	\$ -	\$ (10,000)	\$ 60,000	\$ 10,000
DHS Jobs Building - 5.5%	7/29/1992	7/29/2012	115,000	-	(15,000)	100,000	15,000
Energy Debt - 5.15%	5/30/1996	6/1/2006	<u>185,000</u>	<u>-</u>	<u>(43,000)</u>	<u>142,000</u>	<u>45,000</u>
Total general obligation bonds			<u>370,000</u>	<u>-</u>	<u>(68,000)</u>	<u>302,000</u>	<u>70,000</u>
<u>Special Assessment Bond</u>							
Magnolia Sewer lines - 7.375%	12/1/1989	12/1/2009	<u>49,000</u>	<u>-</u>	<u>(7,000)</u>	<u>42,000</u>	<u>7,000</u>
Total special assessment bond			<u>49,000</u>	<u>-</u>	<u>(7,000)</u>	<u>42,000</u>	<u>7,000</u>
<u>Note Payable</u>							
Cumberland Special Assessment - 5.07%	3/12/1993	3/12/2003	<u>5,870</u>	<u>-</u>	<u>(5,870)</u>	<u>-</u>	<u>-</u>
Total note payable			<u>5,870</u>	<u>-</u>	<u>(5,870)</u>	<u>-</u>	<u>-</u>
<u>OPWC Loan Payable</u>							
Drake Church Road Bridge	7/1/1992	3/12/2003	<u>29,302</u>	<u>-</u>	<u>(4,883)</u>	<u>24,419</u>	<u>4,883</u>
Total OPWC loan payable			<u>29,302</u>	<u>-</u>	<u>(4,883)</u>	<u>24,419</u>	<u>4,883</u>
<u>Other Long-Term Obligations:</u>							
Capital leases			48,937	44,480	(52,426)	40,991	16,767
Compensated absences			<u>825,704</u>	<u>108,982</u>	<u>-</u>	<u>934,686</u>	<u>48,808</u>
Total other long-term obligations			<u>874,641</u>	<u>153,462</u>	<u>(52,426)</u>	<u>975,677</u>	<u>65,575</u>
Total general long-term obligations			<u>\$ 1,328,813</u>	<u>\$ 153,462</u>	<u>\$ (138,179)</u>	<u>\$ 1,344,096</u>	<u>\$ 147,458</u>

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.

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 13 - LONG TERM OBLIGATIONS - (Continued)

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.

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

Year Ended	General Obligation Bonds			Special Assessment Bond		
	Principal	Interest	Total	Principal	Interest	Total
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	20,000	4,425	24,425	7,000	1,033	8,033
2009 - 2012	50,000	6,639	56,639	7,000	516	7,516
Total	<u>\$ 302,000</u>	<u>\$ 57,704</u>	<u>\$ 359,704</u>	<u>\$ 42,000</u>	<u>\$ 10,783</u>	<u>\$ 52,783</u>

Year Ended	OPWC Loan Payable		
	Principal	Interest	Total
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>\$ 24,419</u>	<u>\$ -</u>	<u>\$ 24,419</u>

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 13 - LONG TERM OBLIGATIONS - (Continued)

B. Business-Type Activities Obligations

The changes in the County's business-type long-term obligations during 2003 consisted of the following:

Business-Type Activities:	<u>Issue</u> <u>Date</u>	<u>Maturity</u> <u>Date</u>	<u>Balance</u> <u>01/01/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/03</u>	<u>Amount Due</u> <u>in One Year</u>
<u>Revenue Bonds</u>							
Brown Township/Malvern Sewerline Improvements - 5.0%	02/07/79	02/07/19	\$ 289,400	\$ -	\$ (12,400)	\$ 277,000	\$ 13,400
Brown Township/Malvern Sewerline Improvements - 4.5%	10/01/01	10/01/41	<u>2,972,000</u>	<u>-</u>	<u>(29,300)</u>	<u>2,942,700</u>	<u>30,600</u>
Total			<u>3,261,400</u>	<u>-</u>	<u>(41,700)</u>	<u>3,219,700</u>	<u>44,000</u>
<u>Loan Payable:</u>							
United States Department of Agriculture, Rural Development			<u>-</u>	<u>77,824</u>	<u>-</u>	<u>77,824</u>	<u>-</u>
Total			<u>-</u>	<u>77,824</u>	<u>-</u>	<u>77,824</u>	<u>-</u>
<u>Other Long-Term Obligations:</u>							
Compensated absences payable			8,632	-	(1,432)	7,200	-
Estimated liability for landfill closure and postclosure costs			<u>3,733,488</u>	<u>-</u>	<u>-</u>	<u>3,733,488</u>	<u>-</u>
Total			<u>3,742,120</u>	<u>-</u>	<u>(1,432)</u>	<u>3,740,688</u>	<u>-</u>
Total business-type activities			<u>\$ 7,003,520</u>	<u>\$ 77,824</u>	<u>\$ (43,132)</u>	<u>\$ 7,038,212</u>	<u>\$ 44,000</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.

Loan Payable: During fiscal year 2003, the County was awarded a \$200,000 loan from the United States Department, Rural Development to provide resources for Malvern Sewerline improvements. The County received proceeds of \$77,824 during fiscal year 2003. The remaining proceeds are expected to be received during fiscal year 2004. Future debt service requirements will be disclosed once the loan is completely disbursed.

Estimated Landfill Closure and Postclosure Costs - See Note 19 to the financial statements for detail.

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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 enterprise fund obligations:

Year Ended	Revenue Bonds		
	Principal	Interest	Total
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	51,800	137,557	189,357
2009 - 2013	299,400	649,210	948,610
2014 - 2018	374,600	572,758	947,358
2019 - 2023	324,100	491,076	815,176
2024 - 2028	403,800	411,295	815,095
2029 - 2033	503,300	311,881	815,181
2034 - 2038	627,100	187,987	815,087
2039 - 2041	448,200	40,927	489,127
Total	\$ 3,219,700	\$ 3,375,209	\$6,594,909

C. Component Unit Obligations

The Industries had the following note payable obligations at December 31, 2003:

<u>Notes Payable</u>	<u>Interest Rate</u>	<u>Balance Outstanding 12/31/2003</u>
Sky Bank	Prime + 1.00%	<u>\$ 75,000</u>

The scheduled 2004 principal payment is \$75,000.

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 \$9,775,125 as of December 31, 2003.

CARROLL COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 14 - 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 \$232.36 for single coverage and \$562.86 for family coverage.

NOTE 15 - 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 of Ohio (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 Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 2003 was 8.5% for employees other than law enforcement. 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 2003. 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 2003. 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, 2003, 2002, and 2001 were \$1,233,682, \$1,209,484, and \$1,139,055, respectively; 100% has been contributed for the years 2003, 2002 and 2001.

B. State Teachers Retirement System

Certified teachers employed by the school for the Mentally 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 publicly available financial report that includes financial statements and required supplementary information for STRS Ohio. That report may be obtained by writing to or by calling (614) 227-4090 the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9.3% of their annual covered salary and the County is required to contribute 14%; 13% 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, 2003, 2002, and 2001 were \$41,637, \$38,254, and \$35,172, respectively; 100% has been contributed for the years 2003, 2002 and 2001.

NOTE 16 - 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 2003 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 2003 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 \$448,906.

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, 2002 (the latest information available), the actuarial value of the Retirement System's net assets available for future OPEB payments were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, respectively, at December 31, 2002 (the latest information available). The number of benefit recipients eligible for OPEB at December 31, 2002 (the latest information available) was 364,881.

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.

CARROLL COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 16 - POSTEMPLOYMENT BENEFITS - (Continued)

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.

In response to the adverse investment returns experienced by OPERS from 2000 through 2002 and the continued staggering rate of health care inflation, the OPERS Board, during 2003, considered extending "Choices" type cost cutting measures to all active members and benefit recipients. As of this date, the Board has not determined the exact changes that will be made to the health care plan. However, changes to the plan are expected to be approved by the summer of 2004.

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, 2003, 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 1% of covered payroll for the fiscal year ended June 30, 2003. For the County, this amount equaled \$2,974 during calendar year 2003. As of June 30, 2003, the balance in the Health Care Stabilization Fund was \$2.8 billion and eligible benefit recipients totaled 108,294 for STRS Ohio as a whole. For the fiscal year ended June 30, 2003, net health care costs paid by STRS Ohio were \$352.301 million.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund and major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as payables (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund and major special revenue funds are as follows:

Net Change in Fund Balances					
	<u>General</u>	<u>Motor Vehicle and Gas Tax</u>	<u>County Board of MRDD</u>	<u>Public Assistance</u>	<u>County Home</u>
Budget basis	\$(443,334)	\$ (101,505)	\$(85,877)	\$(115,655)	\$(45,387)
Net adjustment for revenue accruals	66,640	56,398	4,934	36,282	2,612
Net adjustment for expenditure accruals	(42,379)	157,320	104,714	147,366	38,685
Net adjustment for other sources/(uses)	2,445	-	-	-	-
Adjustment for encumbrances	<u>314,312</u>	<u>100,352</u>	<u>19,347</u>	<u>149,805</u>	<u>35,405</u>
GAAP basis	<u><u>\$(102,316)</u></u>	<u><u>\$ 212,565</u></u>	<u><u>\$ 43,118</u></u>	<u><u>\$ 217,798</u></u>	<u><u>\$ 31,315</u></u>

NOTE 18 - 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, 2003.

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.

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 18 - CONTINGENCIES - (Continued)

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.

NOTE 19 - 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, 2003. 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, 2003. 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 20 - RELATED PARTY TRANSACTION

The Carroll Hills Industries, Inc. 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 BFS. For the fiscal year ended December 31, 2003, the contributions were \$43,578.

NOTE 21 - 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 22 - 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.

**FINANCIAL CONDITION
CARROLL COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Number	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Rural Utilities Services			
Solid Waste Management Grant	10.762		\$ 105,000
<i>Passed Through Ohio Water Development Authority:</i>			
Water and Waste Disposal Systems for Rural Communities	10.760		87,341
<i>Passed Through Ohio Department of Natural Resources:</i>			
Cooperative Forestry Assistance	10.664	02-002	2,000
Total U.S. Department of Agriculture			<u>194,341</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grants/State's Program	14.228	B-F-01-010-1	16,137
		B-F-02-010-1	136,254
	14.228	BC-00-010-1	38
		BC-00-010-2	41,194
		BC-02-010-2	214,801
		BC-02-0102	88,483
HOME Investment Partnerships Program	14.239	BC-02-0101	77,913
Total U.S. Department of Housing and Urban Development			<u>574,820</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through Ohio Department of Education:</i>			
Innovative Education Program Strategies	84.298	C2S1-2001	26,067
Adult Education_State Grant Program	84.002	ABS1-2003	12,600
Special Education_Grants for Infants and Families with Disabilities	84.181	10-1-004-1-EG-03	23,328
			<u>18,246</u>
Total U.S. Department of Education			<u>80,241</u>
<u>U.S. FEDERAL EMERGENCY MANAGEMENT AGENCY</u>			
<i>Passed Through the Ohio Department of Public Safety:</i>			
Emergency Management Performance Grant	83.552	J237	1,864
		J236	6,715
		K305	4,159
Total U.S. Federal Emergency Management Agency			<u>12,738</u>

**FINANCIAL CONDITION
CARROLL COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Number	Disbursements
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<i>Passed Through the Ohio Department of Mental Retardation and Developmental Disabilities:</i>			
Social Services Block Grant - Title XX	93.667		31,520
Medical Assistance Program	93.778		<u>520,637</u>
Total U.S. Department of Health and Human Services			<u>552,157</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
<i>Passed Through the Office of Criminal Justice:</i>			
Crime Victim Assistance	16.575	2003 VAGENE 087	44,421
		2003 VAGENE 087X	12,765
		2004 VAGENE 087	15,080
		2004 VAGENE 568T	3,979
		2002 VAGENE 087	555
		2002 VAGENE 087X	115
<i>Passed Through Ohio Department of Youth Services:</i>			
Juvenile Accountability Incentive Block Grant	16.523	2001-JB-003-A238	31,260
Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	2002-SSDP2-0028A Goals	5,017 18,132
<i>Passed Through Ohio Department of Public Safety:</i>			
State Domestic Preparedness Equipment Support Program	16.007		<u>9,961</u>
Total U.S. Department of Justice			<u>141,285</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed Through Ohio Department of Transportation:</i>			
Formula Grants for Other Than Urbanized Areas	20.509	4010020031	<u>68,481</u>
Total U.S. Department of Transportation			<u>68,481</u>
<u>U.S. DEPARTMENT OF LABOR</u>			
<i>Passed Through Ohio Department of Job and Family Services:</i>			
WIA Adult Programs	17.258		<u>113,022</u>
Total U.S. Department of Labor			<u>113,022</u>
<u>APPALACHIAN REGIONAL COMMISSION</u>			
<i>Passed Through Ohio Mid-East Government Association:</i>			
Appalachian Area Development	23.002		64,094
Total Federal Awards Expenditures			<u><u>\$1,801,179</u></u>

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

**FINANCIAL CONDITION
CARROLL COUNTY
YEAR ENDED DECEMBER 31, 2003**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

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Auditor of State Betty Montgomery

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

Carroll County
119 Public Square
Carrollton, OH 44615

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Carroll County (the Government) as of and for the year ended December 31, 2003, which collectively comprise the Government's basic financial statements and have issued our report thereon dated August 5, 2004. We did not audit the financial statement of Carroll Hills Industries, Inc. and our opinion, as it related to the amount included for Carroll Hills Industries, Inc., is based on the reports of 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 Government'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*. However, we noted a certain immaterial instance of noncompliance that we have reported to the Government's management in a separate letter dated August 5, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Government's internal control over financial reporting 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.

Financial Condition
Carroll County
Independent Accountant's Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the audit committee, management, County Commissioners, 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

August 5, 2004



Auditor of State Betty Montgomery

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

Carroll County
119 Public Square
Carrollton, OH 44615

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 each of its major federal programs for the year ended December 31, 2003. Carroll County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of 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, 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 our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

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

Betty Montgomery
Auditor of State

August 5, 2004

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

**FINANCIAL CONDITION
CARROLL COUNTY
DECEMBER 31, 2003**

SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	No
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Workforce Investment Act 17.258 Medicaid Assistance Program 93.778
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	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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CARROLL COUNTY 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
SEPTEMBER 14, 2004**