

CARROLL COUNTY, OHIO
BASIC FINANCIAL STATEMENTS
(Audited)

FOR THE YEAR ENDED
DECEMBER 31, 2011

E. LEROY VANHORNE, AUDITOR



Dave Yost • Auditor of State

Board of Commissioners
Carroll County
119 Lisbon Street
Carrollton, Ohio 44615

We have reviewed the *Independent Accountants' Report* of Carroll County, prepared by Julian & Grube, Inc., for the audit period January 1, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

August 16, 2012

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CARROLL COUNTY

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Accountants' Report

Carroll County
119 Lisbon Street, Suite 203
Carrollton, Ohio 44615

To the Board of 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, as of and for the year ended December 31, 2011, which collectively comprise Carroll County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Carroll County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Carroll Hills Industries, Inc., Carroll County's discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Carroll Hills Industries, Inc., is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Carroll County, Ohio, as of December 31, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund and Major Special Revenue Funds: Motor Vehicle and Gas Tax Fund, County Board of Developmental Disabilities Fund, Public Assistance Fund and County Home Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, for the year ended December 31, 2011, Carroll County adopted the provisions of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

Board of Commissioners
Carroll County
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In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2012, on our consideration of Carroll County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise Carroll County's basic financial statements taken as a whole. The Schedule of Expenditures of Federal Awards provides additional information required by the 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. The Schedule of Expenditures of Federal Awards is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Julian & Grube, Inc.
July 20, 2012

CARROLL COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011

The management's 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, 2011. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the notes to the basic financial statements and basic financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- The total net assets of the County increased \$329,692. Net assets of governmental activities increased \$445,384, which represents a 2.10% increase over 2010. Net assets of business-type activities decreased \$115,692 or 16.35% from 2010.
- General revenues accounted for \$7,736,642 or 34.24% of total governmental activities revenue. Program specific revenues accounted for \$14,857,942 or 65.76% of total governmental activities revenue.
- The County had \$22,149,200 in expenses related to governmental activities; \$14,857,942 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$7,736,642 were adequate to provide for these programs.
- The County's major governmental funds are the general fund, motor vehicle and gas tax fund, county board of developmental disabilities (the "county board of DD") fund, the public assistance fund and the County home fund. The general fund had revenues and other financing sources of \$6,243,865 in 2011. The expenditures and other financing uses of the general fund totaled \$5,789,322 in 2011. The general fund balance increased \$454,543 from 2010 to 2011.
- The motor vehicle and gas tax fund, a County major fund, had revenues of \$3,615,160 and expenditures of \$3,625,087 in 2011. The motor vehicle and gas tax fund balance decreased \$9,927 from 2010 to 2011.
- The county board of DD, a County major fund, had revenues of \$3,772,789 and expenditures of \$4,124,623 in 2011. The county board of DD fund balance decreased \$351,834 from 2010 to 2011.
- The public assistance fund, a County major fund, had revenues of \$2,062,508 and expenditures of \$2,034,829 in 2011. The public assistance fund balance increased \$27,679 from 2010 to 2011.
- The County home fund, a County major fund, had revenues of \$1,617,509 and expenditures of \$1,648,391 in 2011. The County home fund balance decreased \$30,882 from 2010 to 2011.
- The County's major enterprise funds are the sewer fund and the sanitary landfill fund. Net assets for the sewer enterprise fund increased in 2011 by \$24,546 or 0.66%. The net assets deficit for the sanitary landfill increased in 2011 by \$140,238 or 3.18%.
- In the general fund, the actual revenues and other financing sources were the same as they were in the final budget and actual expenditures and other financing uses were \$191,163 less than the amount in the final budget.

CARROLL COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011

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 2011?" These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take 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.

The County's statement of net assets and statement of activities can be found on pages 15-17 of this report.

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, 2011

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 developmental disabilities (county board of DD), 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 18-28 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 29-31 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 statement can be found on pages 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 33-70 of this report.

CARROLL COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011

Government-Wide Financial Analysis

The statement of net assets provides the perspective of the County as a whole. The table below provides a summary of the County's net assets for 2011 compared to 2010. Net assets at December 31, 2010 have been restated as described in Note 3.D.

	Net Assets					
	Governmental	Business-type	Restated	Business-type		Restated
	Activities	Activities	Governmental	Activities	2011	2010
	2011	2011	2010	2010	Total	Total
<u>Assets</u>						
Current and other assets	\$ 18,312,302	\$ 721,182	\$ 16,988,949	\$ 697,780	\$ 19,033,484	\$ 17,686,729
Capital assets, net	<u>10,834,539</u>	<u>6,074,886</u>	<u>10,961,928</u>	<u>6,322,823</u>	<u>16,909,425</u>	<u>17,284,751</u>
Total assets	<u>29,146,841</u>	<u>6,796,068</u>	<u>27,950,877</u>	<u>7,020,603</u>	<u>35,942,909</u>	<u>34,971,480</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	1,490,651	7,566,454	1,521,626	7,497,715	9,057,105	9,019,341
Other liabilities	<u>6,032,259</u>	<u>52,904</u>	<u>5,250,704</u>	<u>230,486</u>	<u>6,085,163</u>	<u>5,481,190</u>
Total liabilities	<u>7,522,910</u>	<u>7,619,358</u>	<u>6,772,330</u>	<u>7,728,201</u>	<u>15,142,268</u>	<u>14,500,531</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	10,382,191	3,083,886	10,478,475	3,269,523	13,466,077	13,747,998
Restricted	8,871,197	28,970	9,944,593	28,970	8,900,167	9,973,563
Unrestricted (deficit)	<u>2,370,543</u>	<u>(3,936,146)</u>	<u>755,479</u>	<u>(4,006,091)</u>	<u>(1,565,603)</u>	<u>(3,250,612)</u>
Total net assets	<u>\$ 21,623,931</u>	<u>\$ (823,290)</u>	<u>\$ 21,178,547</u>	<u>\$ (707,598)</u>	<u>\$ 20,800,641</u>	<u>\$ 20,470,949</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2011, the County's assets exceeded liabilities by \$20,800,641. This amounts to \$21,623,931 in governmental activities and a deficit of \$823,290 in business-type activities.

Capital assets reported on the government-wide statements represent the largest portion of the County's net assets. At year-end, capital assets represented 47.05% of total governmental and business-type assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles, infrastructure and construction in progress. Capital assets, net of related debt to acquire the assets at December 31, 2011, were \$13,466,077. 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, 2011, 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 \$4,560,492 estimated accrued liability for landfill closure and post closure costs.

A portion of the County's net assets, \$8,900,167 or 42.79%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of governmental activities unrestricted net assets is \$2,370,543.

CARROLL COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

The table below shows the changes in net assets for fiscal years 2011 and 2010.

	Change in Net Assets					
			Restated			Restated
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities	2011 Total	2010 Total
	<u>2011</u>	<u>2011</u>	<u>2010</u>	<u>2010</u>	<u>Total</u>	<u>Total</u>
Program revenues:						
Charges for services and sales	\$ 4,075,592	\$ 763,110	\$ 3,271,837	\$ 746,039	\$ 4,838,702	\$ 4,017,876
Operating grants and contributions	10,078,177	-	13,358,394	-	10,078,177	13,358,394
Capital grants and contributions	<u>704,173</u>	<u>-</u>	<u>1,806,317</u>	<u>-</u>	<u>704,173</u>	<u>1,806,317</u>
Total program revenues	<u>14,857,942</u>	<u>763,110</u>	<u>18,436,548</u>	<u>746,039</u>	<u>15,621,052</u>	<u>19,182,587</u>
General revenues:						
Property taxes	3,776,306	-	4,711,579	-	3,776,306	4,711,579
Sales taxes	2,252,403	-	1,808,612	-	2,252,403	1,808,612
Unrestricted grants	1,171,019	-	775,718	-	1,171,019	775,718
Oil and gas lease	98,645	-	-	-	98,645	-
Investment earnings	48,564	3,738	82,167	4,122	52,302	86,289
Miscellaneous	<u>389,705</u>	<u>184,270</u>	<u>313,580</u>	<u>3,915</u>	<u>573,975</u>	<u>317,495</u>
Total general revenues	<u>7,736,642</u>	<u>188,008</u>	<u>7,691,656</u>	<u>8,037</u>	<u>7,924,650</u>	<u>7,699,693</u>
Total revenues	<u>22,594,584</u>	<u>951,118</u>	<u>26,128,204</u>	<u>754,076</u>	<u>23,545,702</u>	<u>26,882,280</u>
Program Expenses:						
General government	3,525,065	-	3,445,280	-	3,525,065	3,445,280
Public safety	2,487,414	-	2,165,118	-	2,487,414	2,165,118
Public works	4,306,082	-	4,566,501	-	4,306,082	4,566,501
Health	4,410,745	-	4,684,930	-	4,410,745	4,684,930
Human services	5,489,959	-	6,109,601	-	5,489,959	6,109,601
Economic development and assistance	379,827	-	729,267	-	379,827	729,267
Urban development and housing	248,998	-	585,498	-	248,998	585,498
Transportation	407,416	-	392,184	-	407,416	392,184
Intergovernmental	105,949	-	-	-	105,949	-
Other	765,124	-	801,089	-	765,124	801,089
Interest and fiscal charges	22,621	-	37,924	-	22,621	37,924
Sewer	-	926,572	-	923,267	926,572	923,267
Sanitary landfill	<u>-</u>	<u>140,238</u>	<u>-</u>	<u>96,888</u>	<u>140,238</u>	<u>96,888</u>
Total expenses	<u>22,149,200</u>	<u>1,066,810</u>	<u>23,517,392</u>	<u>1,020,155</u>	<u>23,216,010</u>	<u>24,537,547</u>
Transfers	<u>-</u>	<u>-</u>	<u>(38,030)</u>	<u>38,030</u>	<u>-</u>	<u>-</u>
Change in net assets	445,384	(115,692)	2,572,782	(228,049)	329,692	2,344,733
Net assets (deficit) at beginning of year (restated)	<u>21,178,547</u>	<u>(707,598)</u>	<u>18,605,765</u>	<u>(479,549)</u>	<u>20,470,949</u>	<u>18,126,216</u>
Net assets (deficit) at end of year	<u>\$ 21,623,931</u>	<u>\$ (823,290)</u>	<u>\$ 21,178,547</u>	<u>\$ (707,598)</u>	<u>\$ 20,800,641</u>	<u>\$ 20,470,949</u>

CARROLL COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011

Governmental Activities

Governmental net assets increased by \$445,384 in 2011 from 2010.

General government represents activities related to the governing body as well as activities that directly support County programs. In 2011, general government expenses totaled \$3,525,065 or 15.92% of total governmental expenses. General government programs were supported by \$1,996,637 in direct charges to users and \$91,588 in operating grants and contributions.

The County program, human services, which supports the operations of the county home, public assistance, and the children services board accounted for \$5,489,959 of expenses or 24.79% of total governmental expenses of the County during 2011. These expenses were funded by \$1,007,078 in charges to users of services and \$3,514,554 in operating grants and contributions.

The County program, public works, accounted for \$4,306,082 or 19.44% 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.

Operating grants and contributions were the largest type of program revenue. The state and federal government contributed revenues of \$10,078,177 in operating grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$3,514,554 subsidized human services programs and \$3,602,815 subsidized public works programs. Another type of program revenue, direct charges to users of governmental activities, made up \$4,075,592 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.

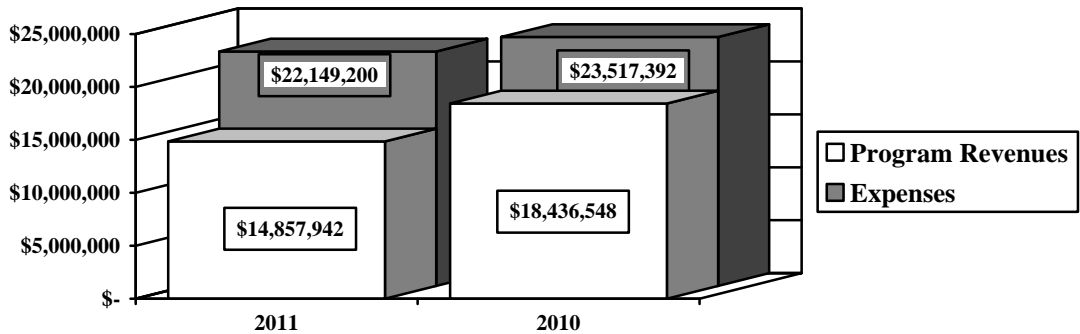
General revenues totaled \$7,736,642, and amounted to 34.24% of total revenues. These revenues primarily consist of property and sales tax revenue of \$6,028,709 or 77.93% of total general revenues in 2011. The other primary source of general revenues is grants and entitlements not restricted to specific programs, with local government and local government revenue assistance making up \$1,171,019 or 15.14% of total general revenues. Oil and gas lease revenue amounted to \$98,645 while interest earnings totaled \$48,564 during the year.

CARROLL COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

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 2011. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

Governmental Activities - Program Revenues vs. Total Expenses



Governmental Activities

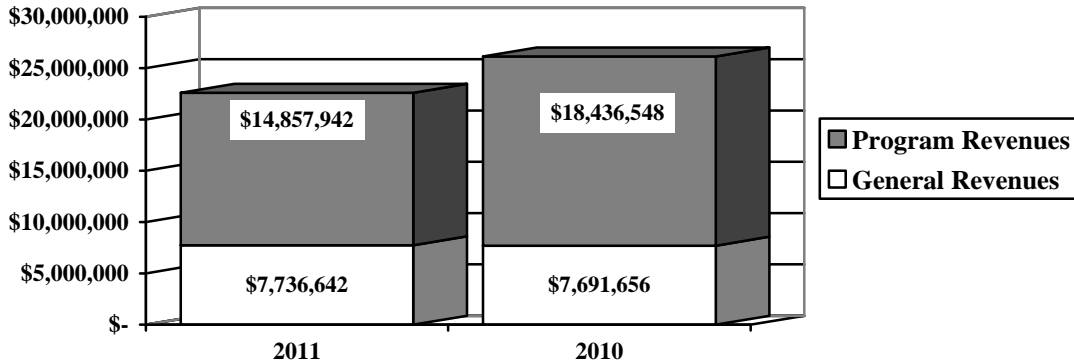
	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>
Program Expenses:				
General government	\$ 3,525,065	\$ 1,436,840	\$ 3,445,280	\$ 176,756
Public safety	2,487,414	1,746,679	2,165,118	1,491,251
Public works	4,306,082	371,630	4,566,501	(25,098)
Health	4,410,745	2,223,829	4,684,930	1,938,803
Human services	5,489,959	968,327	6,109,601	909,450
Economic development and assistance	379,827	157,257	729,267	(161,218)
Urban development and housing	248,998	(69,634)	585,498	76,696
Transportation	407,416	(183,058)	392,184	(88,324)
Intergovernmental	105,949	105,949	-	-
Other	765,124	521,998	801,089	736,374
Interest and fiscal charges	22,621	11,441	37,924	26,154
Total	<u>\$ 22,149,200</u>	<u>\$ 7,291,258</u>	<u>\$ 23,517,392</u>	<u>\$ 5,080,844</u>

The dependence upon general revenues for governmental activities is apparent; with 32.92% of expenses supported through taxes and other general revenues during 2011.

CARROLL COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

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 operating revenues, nonoperating revenues and other financing sources of \$951,118 for fiscal year 2011. These programs had operating expenses, nonoperating expenses and other financing uses of \$1,066,810 for fiscal year 2011. The net assets of the programs decreased \$115,692 or 16.35% from 2010.

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.

CARROLL COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011

The County's governmental funds (as presented on the balance sheet on pages 18-19) reported a combined fund balance of \$10,029,009, which is \$394,329 above last year's total of \$9,634,680. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2011 and December 31, 2010, for all major and nonmajor governmental funds. The County restated fund balances at December 31, 2010 as described in Note 3.C.

	<u>Fund Balance</u> <u>December 31, 2011</u>	<u>Restated</u> <u>Fund Balance</u> <u>December 31, 2010</u>	<u>Increase/</u> <u>(Decrease)</u>
Major Funds:			
General	\$ 1,744,376	\$ 1,289,833	\$ 454,543
Motor vehicle and gas tax	3,204,536	3,214,463	(9,927)
County board of DD	1,919,948	2,271,782	(351,834)
Public assistance	479,026	451,347	27,679
County home	31,894	62,776	(30,882)
Other nonmajor governmental funds	<u>2,649,229</u>	<u>2,344,479</u>	<u>304,750</u>
Total	<u>\$ 10,029,009</u>	<u>\$ 9,634,680</u>	<u>\$ 394,329</u>

General Fund

The general fund, the County's primary operating fund, had revenues and other financing sources of \$6,243,865 in 2011. The expenditures and other financing uses of the general fund totaled \$5,789,322 in 2011. The general fund balance increased \$454,543 from 2010 to 2011.

Motor Vehicle and Gas Tax Fund

The motor vehicle and gas tax fund, a County major fund, had revenues of \$3,615,160 and expenditures of \$3,625,087 in 2011. The motor vehicle and gas tax fund balance decreased \$9,927 from 2010 to 2011.

County Board of Developmental Disabilities (County Board of DD)

The county board of DD, a County major fund, had revenues of \$3,772,789 and expenditures of \$4,124,623 in 2011. The county board of DD fund balance decreased \$351,834 from 2010 to 2011.

Public Assistance Fund

The public assistance fund, a County major fund, had revenues of \$2,062,508 and expenditures of \$2,034,829 in 2011. The public assistance fund balance increased \$27,679 from 2010 to 2011.

County Home Fund

The County home fund, a County major fund, had revenues of \$1,617,509 and expenditures of \$1,648,391 in 2011. The County home fund balance decreased \$30,882 from 2010 to 2011.

CARROLL COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011

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.

There were a few amendments made to the budget throughout the year. Original budgeted revenues and other financing sources were \$5,352,200 and were increased to \$6,054,721 in the final budget. Actual revenues and other financing sources of \$6,054,721 were the same as the final budgeted revenues and financing sources. Original appropriations and other financing uses were \$5,707,205 and were increased to \$5,893,732 in the final appropriations. Actual expenditures and other financing uses of \$5,702,569 were less than final budgeted appropriations and financing uses by \$191,163.

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 2011, the County had \$16,909,425 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles, and infrastructure. Of this total, \$10,834,539 was reported in governmental activities and \$6,074,886 was reported in business-type activities; see Note 9 to the basic financial statements for detail. The following table shows fiscal 2011 balances compared to 2010:

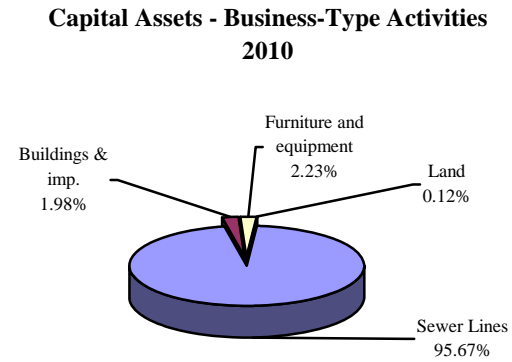
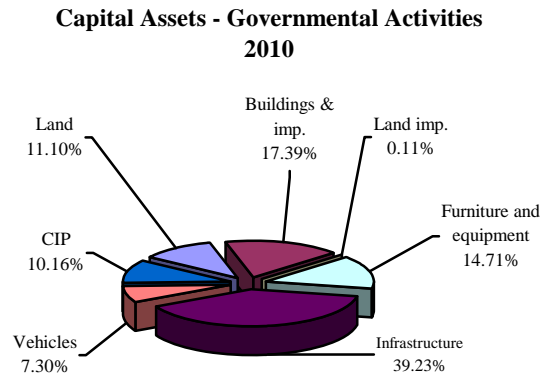
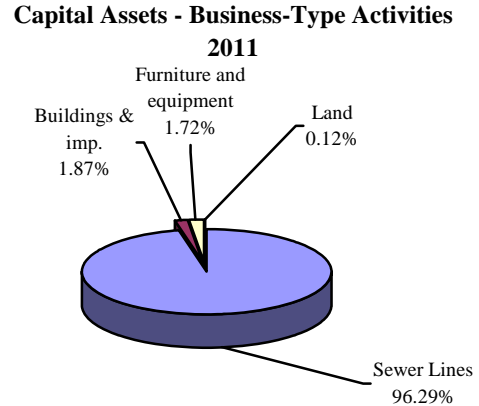
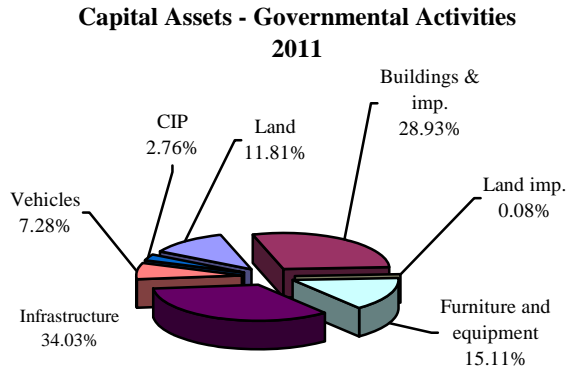
**Capital Assets at December 31
(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 1,279,410	\$ 1,216,642	\$ 7,500	\$ 7,500	\$ 1,286,910	\$ 1,224,142
Construction in progress	298,758	1,113,629	-	-	298,758	1,113,629
Land improvements	9,027	11,529	-	-	9,027	11,529
Building and improvements	3,134,188	1,906,572	113,586	124,911	3,247,774	2,031,483
Furniture and equipment	1,637,586	1,612,289	104,558	141,216	1,742,144	1,753,505
Vehicles	788,642	800,360	-	-	788,642	800,360
Infrastructure	3,686,928	4,300,907	-	-	3,686,928	4,300,907
Sewer lines	-	-	5,849,242	6,049,196	5,849,242	6,049,196
Total	\$ 10,834,539	\$ 10,961,928	\$ 6,074,886	\$ 6,322,823	\$ 16,909,425	\$ 17,284,751

CARROLL COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

The following graphs show the breakdown of governmental and business-type capital assets by category for 2011 and 2010:



Debt Administration

The County had the following long-term obligations outstanding at December 31, 2011 and 2010:

	Governmental Activities 2011	Governmental Activities 2010
General obligation bonds	\$ 396,000	\$ 413,200
OWDA loan	51,865	38,640
Capital lease obligations	<u>56,348</u>	<u>70,253</u>
Total long-term obligations	<u>\$ 504,213</u>	<u>\$ 522,093</u>

CARROLL COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Business-Type Activities <u>2011</u>	Business-Type Activities <u>2010</u>
Revenue bonds	\$ 2,809,400	\$ 2,869,100
Loans payable	<u>181,600</u>	<u>184,200</u>
Total long-term obligations	<u>\$ 2,991,000</u>	<u>\$ 3,053,300</u>

See Note 12 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 2011:

The County's unemployment rate is currently 9.8%, compared to the 8.6% state average and the 9.0% national average.

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

With the continuation of conservative budgeting practices, the County's financial position should remain stable for the coming year.

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.

**BASIC
FINANCIAL STATEMENTS**

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CARROLL COUNTY, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets:				
Equity in pooled cash and cash equivalents . . .	\$ 10,164,838	\$ 578,022	\$ 10,742,860	\$ -
Cash with fiscal and escrow agents.	147,322	-	147,322	134,450
Deposits with segregated accounts.	-	56,558	56,558	-
Receivables (net of allowance for uncollectibles):				
Sales taxes.	613,685	-	613,685	-
Real and other taxes.	4,118,323	-	4,118,323	-
Accounts.	110,444	56,217	166,661	9,144
Due from other governments.	2,496,412	-	2,496,412	-
Special assessments.	153,027	-	153,027	-
Accrued interest.	8,500	1,415	9,915	-
Prepayments.	89,854	-	89,854	-
Materials and supplies inventory.	409,897	-	409,897	-
Restricted assets:				
Equity in pooled cash and cash equivalents . .	-	28,970	28,970	-
Capital assets:				
Land and construction in progress.	1,578,168	7,500	1,585,668	-
Depreciable capital assets, net.	9,256,371	6,067,386	15,323,757	648,124
Total capital assets, net.	10,834,539	6,074,886	16,909,425	648,124
Total assets	29,146,841	6,796,068	35,942,909	791,718
Liabilities:				
Accounts payable.	393,673	6,067	399,740	5,196
Contracts payable.	39,880	-	39,880	-
Accrued wages and benefits payable	302,221	9,499	311,720	2,514
Due to other governments	245,857	4,890	250,747	1,378
Accrued interest payable	19,380	32,448	51,828	-
Amount to be repaid to claimants.	32,382	-	32,382	-
Unearned revenue	4,998,866	-	4,998,866	131,184
Long-term liabilities:				180,787
Due within one year	47,456	72,778	120,234	-
Due in more than one year.	1,443,195	7,493,676	8,936,871	-
Total liabilities	7,522,910	7,619,358	15,142,268	321,059
Net assets:				
Invested in capital assets, net of related debt	10,382,191	3,083,886	13,466,077	-
Restricted for:				
Capital projects	81,916	-	81,916	-
Debt service	153,027	-	153,027	-
Public works projects	4,312,685	-	4,312,685	-
Human services programs	858,866	-	858,866	-
Other purposes.	3,464,703	28,970	3,493,673	-
Unrestricted (deficit)	2,370,543	(3,936,146)	(1,565,603)	470,659
Total net assets (deficit)	\$ 21,623,931	\$ (823,290)	\$ 20,800,641	\$ 470,659

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CARROLL COUNTY, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Expenses</u>	<u>Program Revenues</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.	\$ 2,429,928	\$ 1,709,169	\$ 91,588	\$ -
Judicial.	1,095,137	287,468	-	-
Public safety	2,487,414	324,717	416,018	-
Public works	4,306,082	32,879	3,602,815	298,758
Health.	4,410,745	481,098	1,705,818	-
Human services	5,489,959	1,007,078	3,514,554	-
Economic development and assistance	379,827	-	222,570	-
Urban development and housing	248,998	-	318,632	-
Transportation	407,416	-	185,059	405,415
Intergovernmental.	105,949	-	-	-
Other	765,124	222,003	21,123	-
Interest and fiscal charges.	22,621	11,180	-	-
Total governmental activities	<u>22,149,200</u>	<u>4,075,592</u>	<u>10,078,177</u>	<u>704,173</u>
Business-type activities:				
Sewer	926,572	763,110	-	-
Sanitary Landfill	140,238	-	-	-
Total business-type activities	<u>1,066,810</u>	<u>763,110</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 23,216,010</u>	<u>\$ 4,838,702</u>	<u>\$ 10,078,177</u>	<u>\$ 704,173</u>
Component Unit:				
Carroll Hills Industries, Inc	<u>\$ 557,284</u>	<u>\$ 133,578</u>	<u>\$ 445,743</u>	<u>\$ -</u>

General revenues:

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

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	
\$ (629,171)	\$ -	\$ (629,171)	\$ -
(807,669)	-	(807,669)	-
(1,746,679)	-	(1,746,679)	-
(371,630)	-	(371,630)	-
(2,223,829)	-	(2,223,829)	-
(968,327)	-	(968,327)	-
(157,257)	-	(157,257)	-
69,634	-	69,634	-
183,058	-	183,058	-
(105,949)	-	(105,949)	-
(521,998)	-	(521,998)	-
(11,441)	-	(11,441)	-
<u>(7,291,258)</u>	<u>-</u>	<u>(7,291,258)</u>	<u>-</u>
-	(163,462)	(163,462)	-
-	(140,238)	(140,238)	-
-	(303,700)	(303,700)	-
<u>(7,291,258)</u>	<u>(303,700)</u>	<u>(7,594,958)</u>	<u>-</u>
-	-	-	22,037
1,544,641	-	1,544,641	-
1,468,231	-	1,468,231	-
595,154	-	595,154	-
168,280	-	168,280	-
2,252,403	-	2,252,403	-
1,171,019	-	1,171,019	-
98,645	-	98,645	-
48,564	3,738	52,302	-
389,705	184,270	573,975	-
<u>7,736,642</u>	<u>188,008</u>	<u>7,924,650</u>	<u>-</u>
445,384	(115,692)	329,692	22,037
21,178,547	(707,598)	20,470,949	448,622
<u>\$ 21,623,931</u>	<u>\$ (823,290)</u>	<u>\$ 20,800,641</u>	<u>\$ 470,659</u>

CARROLL COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	<u>General</u>	<u>Motor Vehicle and Gas Tax</u>	<u>County Board of DD</u>	<u>Public Assistance</u>
Assets:				
Equity in pooled cash and cash equivalents . . .	\$ 2,093,496	\$ 2,453,040	\$ 2,069,091	\$ 566,841
Cash with fiscal and escrow agents.	146,687	-	-	-
Receivables (net of allowance for uncollectibles):				
Sales taxes	613,685	-	-	-
Real estate and other taxes	1,660,039	-	1,561,177	-
Accounts.	75,812	2,011	-	-
Special assessments	-	-	-	-
Due from other governments.	370,694	1,789,393	109,856	6,041
Accrued interest	8,500	-	-	-
Interfund loans.	183,145	-	-	-
Prepayments	79,759	598	1,301	5,855
Materials and supplies inventory.	21,370	382,785	-	1,450
Total assets	<u>\$ 5,253,187</u>	<u>\$ 4,627,827</u>	<u>\$ 3,741,425</u>	<u>\$ 580,187</u>
Liabilities:				
Accounts payable.	\$ 61,305	\$ 130,839	\$ 45,718	\$ 24,670
Contracts payable.	-	-	-	-
Accrued wages and benefits	69,456	46,332	79,185	38,617
Compensated absences payable	-	7,230	-	-
Due to other governments	71,953	27,503	55,397	37,874
Interfund loans payable.	-	-	-	-
Deferred revenue	599,124	1,211,387	152,902	-
Unearned revenue	2,674,591	-	1,488,275	-
Amount to be repaid to claimants.	32,382	-	-	-
Total liabilities	<u>3,508,811</u>	<u>1,423,291</u>	<u>1,821,477</u>	<u>101,161</u>
Fund balances:				
Nonspendable	123,551	383,383	1,301	7,305
Restricted.	-	2,821,153	1,918,647	471,721
Committed	30,945	-	-	-
Assigned	532,160	-	-	-
Unassigned (deficit)	<u>1,057,720</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances.	<u>1,744,376</u>	<u>3,204,536</u>	<u>1,919,948</u>	<u>479,026</u>
Total liabilities and fund balances	<u>\$ 5,253,187</u>	<u>\$ 4,627,827</u>	<u>\$ 3,741,425</u>	<u>\$ 580,187</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

County Home	Other Governmental Funds	Total Governmental Funds
\$ 99,873	\$ 2,882,497	\$ 10,164,838
635	-	147,322
-	-	613,685
665,633	231,474	4,118,323
-	32,621	110,444
-	153,027	153,027
45,000	175,428	2,496,412
-	-	8,500
-	-	183,145
1,181	1,160	89,854
-	4,292	409,897
<u>\$ 812,322</u>	<u>\$ 3,480,499</u>	<u>\$ 18,495,447</u>
\$ 10,857	\$ 120,284	\$ 393,673
-	39,880	39,880
35,944	32,687	302,221
-	-	7,230
22,994	30,136	245,857
-	183,145	183,145
72,633	227,138	2,263,184
638,000	198,000	4,998,866
-	-	32,382
<u>780,428</u>	<u>831,270</u>	<u>8,466,438</u>
1,181	5,452	522,173
30,713	2,167,968	7,410,202
-	603,782	634,727
-	-	532,160
-	(127,973)	929,747
<u>31,894</u>	<u>2,649,229</u>	<u>10,029,009</u>
<u>\$ 812,322</u>	<u>\$ 3,480,499</u>	<u>\$ 18,495,447</u>

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CARROLL COUNTY, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2011

Total governmental fund balances		\$ 10,029,009
<i>Amounts reported for governmental activities on 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.		10,834,539
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Real estate and other taxes receivable	\$ 199,048	
Sales tax receivable	242,845	
Intergovernmental receivable	1,659,764	
Accrued interest receivable	8,500	
Special assessments receivable	153,027	
Total	<hr/>	2,263,184
Accrued interest payable on long-term bonds is not due and payable in the current period and therefore is not reported in the funds.		(19,380)
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 payable	(396,000)	
OWDA loan payable	(51,865)	
Compensated absences payable	(959,208)	
Capital leases payable	(56,348)	
Judgements payable	(20,000)	
Total	<hr/>	<hr/> (1,483,421)
Net assets of governmental activities		<hr/> \$ 21,623,931 <hr/>

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, 2011

	<u>General</u>	<u>Motor Vehicle and Gas Tax</u>	<u>County Board of DD</u>	<u>Public Assistance</u>
Revenues:				
Real estate and other taxes	\$ 1,575,909	\$ -	\$ 1,491,636	\$ -
Sales taxes	2,009,558	-	-	-
Charges for services	1,288,302	2,011	367,223	-
Licenses and permits	1,550	-	-	-
Fines and forfeitures	62,394	30,868	-	-
Intergovernmental	751,923	3,581,902	1,913,930	2,062,508
Investment income	54,248	-	-	-
Rental income	28,750	-	-	-
Contributions and donations	-	-	-	-
Oil and gas lease	98,645	-	-	-
Other	365,859	379	-	-
Total revenues	<u>6,237,138</u>	<u>3,615,160</u>	<u>3,772,789</u>	<u>2,062,508</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	1,894,439	-	-	-
Judicial	924,332	-	-	-
Public safety	1,533,984	-	-	-
Public works	1,035	3,623,767	-	-
Health	55,181	-	4,122,702	-
Human services	323,858	-	-	2,034,829
Economic development and assistance . .	41,948	-	-	-
Urban development and housing	-	-	-	-
Transportation	-	-	-	-
Intergovernmental	105,949	-	-	-
Other	672,279	-	-	-
Capital outlay	6,727	-	-	-
Debt service:				
Principal retirement	28,143	1,105	1,852	-
Interest and fiscal charges	21,353	215	69	-
Total expenditures	<u>5,609,228</u>	<u>3,625,087</u>	<u>4,124,623</u>	<u>2,034,829</u>
Excess (deficiency) of revenues over (under) expenditures	<u>627,910</u>	<u>(9,927)</u>	<u>(351,834)</u>	<u>27,679</u>
Other financing sources (uses):				
Capital lease transaction	6,727	-	-	-
Transfers in	-	-	-	-
Transfers (out)	(180,094)	-	-	-
Loan proceeds	-	-	-	-
Total other financing sources (uses)	<u>(173,367)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	454,543	(9,927)	(351,834)	27,679
Fund balances at beginning of year (restated) . . .	<u>1,289,833</u>	<u>3,214,463</u>	<u>2,271,782</u>	<u>451,347</u>
Fund balances at end of year	<u>\$ 1,744,376</u>	<u>\$ 3,204,536</u>	<u>\$ 1,919,948</u>	<u>\$ 479,026</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

County Home	Other Governmental Funds	Total Governmental Funds
\$ 608,418	\$ 184,443	\$ 3,860,406
-	-	2,009,558
894,699	1,321,007	3,873,242
-	12,739	14,289
-	29,321	122,583
112,556	3,544,069	11,966,888
-	437	54,685
-	11,180	39,930
400	-	400
-	-	98,645
1,436	46,454	414,128
<u>1,617,509</u>	<u>5,149,650</u>	<u>22,454,754</u>
-	546,706	2,441,145
-	134,724	1,059,056
-	737,562	2,271,546
-	249,506	3,874,308
-	118,990	4,296,873
1,648,391	1,447,191	5,454,269
-	335,425	377,373
-	248,998	248,998
-	407,416	407,416
-	-	105,949
-	27,425	699,704
-	771,151	777,878
-	11,732	42,832
-	1,393	23,030
<u>1,648,391</u>	<u>5,038,219</u>	<u>22,080,377</u>
<u>(30,882)</u>	<u>111,431</u>	<u>374,377</u>
-	-	6,727
-	180,094	180,094
-	-	(180,094)
-	13,225	13,225
-	193,319	19,952
<u>(30,882)</u>	<u>304,750</u>	<u>394,329</u>
62,776	2,344,479	9,634,680
<u>\$ 31,894</u>	<u>\$ 2,649,229</u>	<u>\$ 10,029,009</u>

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, 2011

Net change in fund balances - total governmental funds		\$ 394,329
<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 is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.		
Capital asset additions	\$ 1,131,367	
Current year depreciation	<u>(1,248,134)</u>	
Total		(116,767)
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.		(10,622)
Capital lease transactions are other financing sources in the governmental funds, but increase liabilities in governmental activities.		(6,727)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Real estate and other taxes	(84,100)	
Sales tax	242,845	
Intergovernmental	727	
Accrued interest	(5,870)	
Special assessments	<u>(13,772)</u>	
Total		139,830
Repayment of long-term debt, such as bonds, loans, and capital lease obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement net assets.		42,832
Issuances of loans are recorded as an other financing source in the funds; however, in the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net assets.		(13,225)
In the statement of activities, interest is accrued on outstanding bonds and loans, whereas in governmental funds, an interest expenditures is reported when due.		409
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>15,325</u>
Change in net assets of governmental activities		<u><u>\$ 445,384</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, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Real estate and other taxes	\$ 1,400,963	\$ 1,584,852	\$ 1,584,852	\$ -
Sales taxes	1,709,051	1,933,379	1,933,379	-
Charges for services	1,049,720	1,187,504	1,187,504	-
Licenses and permits	1,370	1,550	1,550	-
Fines and forfeitures	55,155	62,394	62,394	-
Intergovernmental	702,100	794,257	794,257	-
Investment income	47,954	54,248	54,248	-
Rental income	26,110	29,537	29,537	-
Other	131,156	148,371	148,371	-
Total revenues.	<u>5,123,579</u>	<u>5,796,092</u>	<u>5,796,092</u>	<u>-</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	1,829,210	1,879,364	1,795,201	84,163
Judicial	972,725	994,920	946,622	48,298
Public safety	1,519,240	1,573,812	1,564,025	9,787
Public works	1,907	2,000	1,920	80
Health	68,344	67,100	59,601	7,499
Human services	316,927	328,997	327,344	1,653
Economic development and assistance	39,998	41,948	41,948	-
Intergovernmental	101,025	105,949	105,949	-
Other	675,342	708,260	668,577	39,683
Total expenditures	<u>5,524,718</u>	<u>5,702,350</u>	<u>5,511,187</u>	<u>191,163</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(401,139)</u>	<u>93,742</u>	<u>284,905</u>	<u>191,163</u>
Other financing sources (uses):				
Transfers in	3,904	4,416	4,416	-
Transfers out	(4,629)	(4,855)	(4,855)	-
Advances in	224,717	254,213	254,213	-
Advances out	(177,858)	(186,527)	(186,527)	-
Total other financing sources (uses)	<u>46,134</u>	<u>67,247</u>	<u>67,247</u>	<u>-</u>
Net change in fund balance	(355,005)	160,989	352,152	191,163
Fund balance (restated) at beginning of year	13,405	13,405	13,405	-
Prior year encumbrances appropriated	<u>87,400</u>	<u>87,400</u>	<u>87,400</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ (254,200)</u>	<u>\$ 261,794</u>	<u>\$ 452,957</u>	<u>\$ 191,163</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 FUND
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 3,507,500	\$ 3,588,153	\$ 3,588,153	\$ -
Fines and forfeitures	32,000	30,868	30,868	-
Other	8,000	379	379	-
Total revenues	<u>3,547,500</u>	<u>3,619,400</u>	<u>3,619,400</u>	<u>-</u>
Expenditures:				
Current:				
Public works.	<u>3,746,821</u>	<u>3,946,821</u>	<u>3,718,627</u>	<u>228,194</u>
Total expenditures	<u>3,746,821</u>	<u>3,946,821</u>	<u>3,718,627</u>	<u>228,194</u>
Net change in fund balance.	(199,321)	(327,421)	(99,227)	228,194
Fund balance at beginning of year	2,210,534	2,210,534	2,210,534	-
Prior year encumbrances appropriated	<u>115,797</u>	<u>115,797</u>	<u>115,797</u>	<u>-</u>
Fund balance at end of year	<u>\$ 2,127,010</u>	<u>\$ 1,998,910</u>	<u>\$ 2,227,104</u>	<u>\$ 228,194</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 DEVELOPMENTAL DISABILITIES FUND
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Real estate and other taxes	\$ 1,590,000	\$ 1,494,091	\$ 1,494,091	\$ -
Charges for services	200,000	367,223	367,223	-
Intergovernmental	1,297,800	1,888,923	1,888,923	-
Total revenues	<u>3,087,800</u>	<u>3,750,237</u>	<u>3,750,237</u>	<u>-</u>
Expenditures:				
Current:				
Health	<u>4,307,261</u>	<u>4,520,926</u>	<u>4,199,343</u>	<u>321,583</u>
Total expenditures	<u>4,307,261</u>	<u>4,520,926</u>	<u>4,199,343</u>	<u>321,583</u>
Excess of expenditures over revenues	<u>(1,219,461)</u>	<u>(770,689)</u>	<u>(449,106)</u>	<u>321,583</u>
Other financing uses:				
Advances in	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing uses	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance.	(1,194,461)	(770,689)	(449,106)	321,583
Fund balance at beginning of year	2,315,254	2,315,254	2,315,254	-
Prior year encumbrances appropriated	<u>47,209</u>	<u>47,209</u>	<u>47,209</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,168,002</u>	<u>\$ 1,591,774</u>	<u>\$ 1,913,357</u>	<u>\$ 321,583</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)
 PUBLIC ASSISTANCE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 2,646,700	\$ 2,153,616	\$ 2,153,616	\$ -
Total revenues	<u>2,646,700</u>	<u>2,153,616</u>	<u>2,153,616</u>	<u>-</u>
Expenditures:				
Current:				
Human services	2,707,014	2,469,514	2,135,857	333,657
Total expenditures	<u>2,707,014</u>	<u>2,469,514</u>	<u>2,135,857</u>	<u>333,657</u>
Net change in fund balance.	(60,314)	(315,898)	17,759	333,657
Fund balance at beginning of year	364,144	364,144	364,144	-
Prior year encumbrances appropriated	<u>71,507</u>	<u>71,507</u>	<u>71,507</u>	<u>-</u>
Fund balance at end of year	<u>\$ 375,337</u>	<u>\$ 119,753</u>	<u>\$ 453,410</u>	<u>\$ 333,657</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 FUND
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Real estate and other taxes	\$ 635,000	\$ 611,812	\$ 612,204	\$ 392
Charges for services	750,000	902,103	902,681	578
Intergovernmental	100,000	112,484	112,556	72
Contributions and donations	-	1,044	1,044	-
Other	2,000	1,728	1,729	1
Total revenues	<u>1,487,000</u>	<u>1,629,171</u>	<u>1,630,214</u>	<u>1,043</u>
Expenditures:				
Current:				
Human services	<u>1,565,649</u>	<u>1,691,729</u>	<u>1,664,762</u>	<u>26,967</u>
Total expenditures	<u>1,565,649</u>	<u>1,691,729</u>	<u>1,664,762</u>	<u>26,967</u>
Net change in fund balance.	(78,649)	(62,558)	(34,548)	28,010
Fund balance at beginning of year	73,405	73,405	73,405	-
Prior year encumbrances appropriated	<u>17,351</u>	<u>17,351</u>	<u>17,351</u>	<u>-</u>
Fund balance at end of year	<u>\$ 12,107</u>	<u>\$ 28,198</u>	<u>\$ 56,208</u>	<u>\$ 28,010</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CARROLL COUNTY, OHIO

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2011

	Business-type Activities - Enterprise Funds		
	Sanitary Landfill	Sewer	Total
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents . . .	\$ 12,627	\$ 565,395	\$ 578,022
Deposits with segregated accounts	-	56,558	56,558
Receivables (net of allowance for uncollectibles):			
Accounts	-	56,217	56,217
Accrued interest	-	1,415	1,415
Total current assets	<u>12,627</u>	<u>679,585</u>	<u>692,212</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.	-	6,067,386	6,067,386
Total capital assets, net.	<u>-</u>	<u>6,074,886</u>	<u>6,074,886</u>
Total noncurrent assets	<u>-</u>	<u>6,103,856</u>	<u>6,103,856</u>
Total assets	<u>12,627</u>	<u>6,783,441</u>	<u>6,796,068</u>
Liabilities:			
Current liabilities:			
Accounts payable	-	6,067	6,067
Accrued wages and benefits payable	-	9,499	9,499
Due to other governments	-	4,890	4,890
Accrued interest payable	-	32,448	32,448
Compensated absences payable - current. . . .	-	7,378	7,378
Revenue bonds payable	-	62,600	62,600
Other loans payable	-	2,800	2,800
Total current liabilities	<u>-</u>	<u>125,682</u>	<u>125,682</u>
Long-term liabilities:			
Compensated absences payable	-	7,584	7,584
Revenue bonds payable	-	2,746,800	2,746,800
Loans payable	-	178,800	178,800
Estimated accrued liability for landfill closure and post closure costs	4,560,492	-	4,560,492
Total long-term liabilities	<u>4,560,492</u>	<u>2,933,184</u>	<u>7,493,676</u>
Total liabilities	<u>4,560,492</u>	<u>3,058,866</u>	<u>7,619,358</u>
Net assets:			
Invested in capital assets, net of related debt . . .	-	3,083,886	3,083,886
Restricted	-	28,970	28,970
Unrestricted (deficit)	<u>(4,547,865)</u>	<u>611,719</u>	<u>(3,936,146)</u>
Total net assets (deficit)	<u>\$ (4,547,865)</u>	<u>\$ 3,724,575</u>	<u>\$ (823,290)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CARROLL COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Business-type Activities - Enterprise Funds		
	Sanitary Landfill	Sewer	Total
Operating revenues:			
Charges for services	\$ -	\$ 763,110	\$ 763,110
Other	-	9,269	9,269
Total operating revenues.	<u>-</u>	<u>772,379</u>	<u>772,379</u>
Operating expenses:			
Personal services	-	309,004	309,004
Contract services.	10,419	125,509	135,928
Materials and supplies.	-	92,990	92,990
Depreciation.	-	252,079	252,079
Closure and postclosure	129,819	-	129,819
Other	-	6,687	6,687
Total operating expenses.	<u>140,238</u>	<u>786,269</u>	<u>926,507</u>
Operating loss	<u>(140,238)</u>	<u>(13,890)</u>	<u>(154,128)</u>
Nonoperating revenues (expenses):			
Interest revenue	-	3,738	3,738
Interest expense and fiscal charges	-	(139,902)	(139,902)
Other nonoperating revenues	-	175,001	175,001
Loss on disposal	-	(401)	(401)
Total nonoperating revenues (expenses).	<u>-</u>	<u>38,436</u>	<u>38,436</u>
Change in net assets	(140,238)	24,546	(115,692)
Net assets (deficit) at beginning of year.	<u>(4,407,627)</u>	<u>3,700,029</u>	<u>(707,598)</u>
Net assets (deficit) at end of year	<u>\$ (4,547,865)</u>	<u>\$ 3,724,575</u>	<u>\$ (823,290)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CARROLL COUNTY, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Business-type Activities - Enterprise Funds		
	Sanitary Landfill	Sewer	Total
Cash flows from operating activities:			
Cash received from sales/charges for services	\$ -	\$ 766,577	\$ 766,577
Cash received from other operations	-	9,269	9,269
Cash payments for personal services	-	(306,162)	(306,162)
Cash payments for contractual services	(11,419)	(131,240)	(142,659)
Cash payments for materials and supplies	-	(92,566)	(92,566)
Cash payments for other expenses	-	(6,687)	(6,687)
Net cash provided by (used in) operating activities	<u>(11,419)</u>	<u>239,191</u>	<u>227,772</u>
Cash flows from capital and related financing activities:			
Principal retirement on revenue bonds	-	(59,700)	(59,700)
Principal retirement on loans	-	(2,600)	(2,600)
Acquisition of capital assets	-	(4,543)	(4,543)
Interest and fiscal charges	-	(137,798)	(137,798)
Net cash used in capital and related financing activities	<u>-</u>	<u>(204,641)</u>	<u>(204,641)</u>
Cash flows from investing activities:			
Interest received	-	4,856	4,856
Net cash provided by investing activities	<u>-</u>	<u>4,856</u>	<u>4,856</u>
Net increase (decrease) in cash and cash equivalents	(11,419)	39,406	27,987
Cash and cash equivalents at beginning of year	<u>24,046</u>	<u>611,517</u>	<u>635,563</u>
Cash and cash equivalents at end of year	<u>\$ 12,627</u>	<u>\$ 650,923</u>	<u>\$ 663,550</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:			
Operating loss	\$ (140,238)	\$ (13,890)	\$ (154,128)
Adjustments:			
Depreciation	-	252,079	252,079
Changes in assets and liabilities:			
Decrease in accounts receivable	-	3,467	3,467
(Decrease) in accounts payable	(1,000)	(5,307)	(6,307)
Increase in landfill closure and postclosure care liability	129,819	-	129,819
Increase in accrued wages and benefits	-	1,473	1,473
Increase in due to other governments	-	149	149
Increase in compensated absences payable	-	1,220	1,220
Net cash provided by (used in) operating activities	<u>\$ (11,419)</u>	<u>\$ 239,191</u>	<u>\$ 227,772</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CARROLL COUNTY, OHIO

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2011**

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 2,050,091
Cash with fiscal agent.	174,628
Receivables:	
Real estate and other taxes	19,299,553
Accounts	90,275
Intergovernmental.	<u>1,275,753</u>
Total assets	<u>\$ 22,890,300</u>
Liabilities:	
Accounts payable	\$ 1,325
Accrued wages and benefits	9,024
Due to other governments	732,052
Deposits held and due to others	<u>22,147,899</u>
Total liabilities.	<u>\$ 22,890,300</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, 2011

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) guidance issued on or before November 30, 1989, to its governmental and business-type activities and its proprietary funds provided it does not conflict with or contradict GASB pronouncements. The County has the option to also apply FASB guidance 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 this FASB guidance.

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" as amended by GASB Statement No. 39 "Determining Whether Certain Organizations are Component Units". 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 PCU's 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, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

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

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

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

The LEPC 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 Developmental Disabilities (County Board DD), provides sheltered employment for adults with developmental disabilities in the County. The Carroll County Board of DD provides the Industries with 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 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, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

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

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.

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 PCU's have been excluded from the County's basic financial statements, but the funds held on behalf of these PCU's 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*

Information in the notes to the basic financial statements 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 sixty-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, 2011

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 2011, the County contributed \$118,991 to the Attention System. Complete financial statements for the Attention System can be obtained from Melissa Clark, Director of Administrative Services of Multi-County Juvenile Attention System, 815 Faircrest St. S.W., Canton, Ohio 44706.

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 N.W., Carrollton, Ohio 44615.

Alcohol, Drug Addiction and Mental Health Services Board of Carroll and Tuscarawas Counties (ADAMH Board) - The ADAMH Board is a two County non-profit corporation whose general purpose is to provide leadership in planning for and supporting community-based alcohol, drug addiction and mental health services in cooperation with public and private resources with emphasis on the development of prevention and early intervention programming, while respecting, protecting and advocating for the rights of persons as consumers of alcohol, drug addiction and mental health services. The Board of Trustees of the ADAMH 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 ADAMH 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, 2011

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

The County cannot significantly influence operations of the ADAMH 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 ADAMH Board will not be included as part of Carroll County. Due to the ongoing financial relationship of the County to the ADAMH Board, it will be disclosed as a joint venture without equity interest in the County's financial statements. Complete financial statements from the ADAMH Board can be obtained from their office located at P.O. Box 6217, 1260 Monroe Street N.W., Suite 27N, New Philadelphia, Ohio 44663.

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, 2011

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 fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Motor vehicle and gas tax fund - 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 developmental disabilities (County Board of DD) fund - This fund accounts for the operation of a school and the costs of administering a workshop for the developmentally disabled. Revenue sources include a countywide property tax levy and federal and State grants.

Public assistance fund - This fund accounts for various federal and State grants used to provide public assistance to general relief recipients, pay their providers for medical assistance, and for certain public social services.

County home fund - 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) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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.

Sanitary landfill - This fund accounts for the maintenance and monitoring functions of the sanitary landfill.

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County's agency funds account for assets held by the County for political subdivisions in which the County acts as fiscal agent and for taxes, State-levied shared revenues and fines and forfeitures collected and distributed to other political subdivisions.

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.

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.

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

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

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

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 year in which the sales are made (See Note 7). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the 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, interest, federal and State grants and subsidies, State-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fees and rentals.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2011, but which were levied to finance year 2012 operations and other revenues received in advance of the year for which they were intended to finance, have been recorded as unearned revenue. Special assessments and sales taxes not received within the available period, grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at December 31, 2011, are recorded as deferred revenue on the governmental fund financial statements.

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.

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.

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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

Budgetary information for the Industries 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. The 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 find the revised estimates to be reasonable. The amounts set forth in the budgetary statements represent estimates from the original and final amended certificate issued during 2011.

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 2011 are included in the final budget amounts in the budget-to-actual comparisons.

Lapsing of Appropriations - At the close of each 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 year and is not reappropriated.

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 2011, investments were limited to nonnegotiable certificates of deposits, 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.

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

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

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 2011 amounted to \$54,248 which includes \$48,189 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.

The County has segregated bank accounts for monies held separate from the County's central bank account related to sewer fees. These interest bearing depository accounts are presented on the financial statements sheet as "deposits with segregated accounts" 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 County's investment account at year end is provided in Note 4.

H. Materials and Supplies Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market. Inventories are recorded 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 nonspendable fund balance 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.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The County maintains its capitalization threshold at \$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.

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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

All reported capital assets are depreciated except for land and construction in progress. 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 not 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 payments 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. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is based on the sick leave accumulated at December 31, 2011, 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, 2011, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments.

County employees earn vacation at varying rates ranging from two to five weeks per year. Sick leave is accumulated at the rate of 4.6 hours per 80 hours worked. Vacation and sick leave 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.

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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

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. Prepayments

Payments made to vendors for services that will benefit periods beyond December 31, 2011, are recorded as prepayments 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 and compensated absences 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 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.

Outstanding balances between funds are reported as "interfund loans receivable/payable". 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". The County had no "internal balances" at December 31, 2011.

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

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

N. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Commissioners (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the Board of Commissioners removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the Board of Commissioners.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The County applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

O. 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 operations. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating.

CARROLL COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

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

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. Restricted cash balances have been reported also as restricted net assets since they are 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. There were no contributions of capital in 2011.

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 through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes consist primarily of programs to enhance the security of persons and property and for general government operations.

The County applies restricted resources first 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.

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the County Commissioners and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred in 2011.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2011, the County has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the County.

B. Deficit Fund Balances/Net Assets

The following funds had deficit fund balances/net assets as of December 31, 2011:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
911 emergency system fund	\$ 777
WIA stimulus grant	2
Personnel reinstatement initiative	492
Drug court grant	12,407
Communication hiring initiative	20,754
ARRA law enforcement retention	21,047
ARRA EECBG	675
State homeland SEC	47,987
EMA	14,769
VOCA	2,966
OWDA sewer project	6,097
 <u>Major enterprise fund</u>	
Sanitary landfill	4,547,865

These funds complied with 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.

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Fund Reclassifications

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the County's governmental fund balances as previously reported:

	<u>General</u>	<u>Motor Vehicle and Gas Tax</u>	<u>County Board of DD</u>	<u>Public Assistance</u>	<u>County Home</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund balance as previously reported	\$ 944,448	\$ 3,214,463	\$ 2,271,782	\$ 451,347	\$ 62,776	\$ 2,497,057	\$ 9,441,873
Fund reclassifications:							
Recorder's Equipment Fund	3,831	-	-	-	-	(3,831)	-
Title Administration Fund	116,792	-	-	-	-	(116,792)	-
Auditor's Termination Benefits Fund	31,955	-	-	-	-	(31,955)	-
Trust Fund	<u>192,807</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>192,807</u>
Total fund reclassifications	<u>345,385</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(152,578)</u>	<u>192,807</u>
Restated fund balance at January 1, 2011	<u>\$ 1,289,833</u>	<u>\$ 3,214,463</u>	<u>\$ 2,271,782</u>	<u>\$ 451,347</u>	<u>\$ 62,776</u>	<u>\$ 2,344,479</u>	<u>\$ 9,634,680</u>

The difference of \$192,807 is due to the restatement of moving the trust fund from an agency fund to a governmental fund as part of the general fund.

D. Restatement of Net Assets

The County's net assets have been restated at December 31, 2010 for adjustments due to the reclassification of the trust agency fund to a governmental fund due to the provisions of GASB Statement No. 54. See Note 3.C. for more details. The change had the following effect on net assets as previously reported by the governmental activities:

	<u>Governmental Activities</u>
Net assets, December 31, 2010	\$ 20,985,740
Adjustment due to reclassification	<u>192,807</u>
Restated net assets, January 1, 2011	<u><u>\$ 21,178,547</u></u>

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

E. Budgetary Prior Period Adjustment

In prior years certain funds that are legally budgeted in separate special revenue funds were considered part of the general fund on a budgetary basis. The County has elected to report only the legally budgeted general fund in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund's budgetary-basis fund balance at December 31, 2010 is as follows:

	<u>General Fund</u>
Balance at December 31, 2010	\$ 65,139
Funds budgeted elsewhere	<u>(51,734)</u>
Restated balance at January 1, 2011	<u>\$ 13,405</u>

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the County into two categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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 and 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;
5. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

6. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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.

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits with Financial Institutions

At December 31, 2011, the carrying amount of all County deposits was \$8,800,429, exclusive of the \$4,400,000 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2011, \$4,998,636 of the County's bank balance of \$9,232,964 was exposed to custodial risk as discussed below, while \$4,234,328 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. As permitted by Ohio Revised Code, the County's deposits are collateralized by a pool of eligible securities deposited with Federal Reserve Banks, or at member banks of the Federal Reserve System in the name of the depository bank and pledged as a pool of collateral against all public deposits held by the depository. The County has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all the statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Investments

As of December 31, 2011, the County had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity</u> 6 months or less
Repurchase agreement	\$ 4,400,000	\$ 4,400,000

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the County’s investment policy limits investment portfolio maturities to five years or less. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the County and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk: The federal agency securities that underlie the repurchase agreement were rated AA+ and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively. The County has no investment policy dealing with investment credit risk beyond the requirements in State statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the County’s investment in the repurchase agreement, the entire balance is collateralized by underlying securities pledged by the investment’s counterparty, not in the name of the County. The County has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The County’s investment policy places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the County at December 31, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase agreement	\$ 4,400,000	100.00

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of December 31, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 8,800,429
Investments	4,400,000
Total	<u>\$ 13,200,429</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 10,312,160
Business type activities	663,550
Agency funds	2,224,719
Total	<u>\$ 13,200,429</u>

D. Component Unit

At December 31, 2011, the carrying amount of the component unit's demand deposits was \$134,450. The carrying amount of the demand deposits equaled the bank balance at that date. The entire bank balance was insured by FDIC. The component unit had no investments at December 31, 2011. 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, 2011, consisted of the following, as reported on the fund financial statements:

<u>Transfers to nonmajor governmental funds from:</u>	
General fund	<u>\$ 180,094</u>

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.

These transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Transfers between governmental funds are eliminated for reporting on the statement of activities.

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- B.** Interfund loans consisted of the following at December 31, 2011, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 183,145</u>

The interfund loan balances result from resources provided by the receivable fund to the payable fund to provide cash flow resources until anticipated revenues are received. Interfund loans payable/receivable between governmental funds are eliminated on the government-wide financial statements.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the County. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2011 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2011 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 6 - PROPERTY TAXES - (Continued)

The full tax rate for all County operations for the year ended December 31, 2011 was \$11.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2011 property tax receipts were based are as follows:

Real Property

Residential/Agricultural	\$ 449,610,500
Commercial/Industrial/Mineral	59,364,690
Public Utility Personal Property	<u>37,463,720</u>
Total Assessed Value	<u>\$ 546,438,910</u>

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 Office of Budget and Management the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of the month of collection. In 2006, this tax was approved as a permanent tax 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 2011 and amounts that are measurable and available at year end are accrued as revenue. Sales and use tax revenue for 2011 amounted to \$2,009,558 on the government funds financial statements.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2011, consisted of accounts (billings for user charged services, including unbilled utility services); sales taxes; accrued interest; amounts due from other governments including grants, entitlements, shared revenues; property taxes, and special assessments. All receivables are considered collectible in full and within one year, except for property taxes and special assessments. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Receivables recorded on the County's financial statements are recorded to the extent the amounts are determined material and substantiated, not only by supporting documentation, but also by a reasonable systematic method of determining their existence, completeness, valuation and collectibility. Using this criteria, the County has elected to not record child support arrearages in the agency funds. These amounts, while potentially significant, are not considered measurable and, because collections are often significantly in arrears, the County is unable to determine a reasonable value.

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 8 - RECEIVABLES - (Continued)

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

Governmental activities:

Sales taxes	\$ 613,685
Real and other taxes	4,118,323
Accounts	110,444
Due from other governments	2,496,412
Special assessments	153,027
Accrued interest	8,500

Business-type activities:

Accounts	56,217
Accrued interest	1,415

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011, for governmental activities was as follows:

	<u>Balance</u> <u>12/31/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/11</u>
<u>Governmental activities:</u>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,216,642	\$ 62,768	\$ -	\$ 1,279,410
Construction in progress	1,113,629	503,894	(1,318,765)	298,758
Total capital assets, not being depreciated	<u>2,330,271</u>	<u>566,662</u>	<u>(1,318,765)</u>	<u>1,578,168</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	221,088	-	-	221,088
Building and improvements	13,307,961	1,361,122	-	14,669,083
Furniture and equipment	4,989,596	353,591	(107,105)	5,236,082
Vehicles	4,481,519	168,757	(222,813)	4,427,463
Infrastructure	27,358,867	-	-	27,358,867
Total capital assets, being depreciated	<u>50,359,031</u>	<u>1,883,470</u>	<u>(329,918)</u>	<u>51,912,583</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(209,559)	(2,502)	-	(212,061)
Building and improvements	(11,401,389)	(133,506)	-	(11,534,895)
Furniture and equipment	(3,377,307)	(322,015)	100,826	(3,598,496)
Vehicles	(3,681,159)	(176,132)	218,470	(3,638,821)
Infrastructure	(23,057,960)	(613,979)	-	(23,671,939)
Total accumulated depreciation	<u>(41,727,374)</u>	<u>(1,248,134)</u>	<u>319,296</u>	<u>(42,656,212)</u>
Total capital assets, being depreciated net	<u>8,631,657</u>	<u>635,336</u>	<u>(10,622)</u>	<u>9,256,371</u>
Governmental activities capital assets, net	<u>\$ 10,961,928</u>	<u>\$ 1,201,998</u>	<u>\$ (1,329,387)</u>	<u>\$ 10,834,539</u>

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 9 - CAPITAL ASSETS - (Continued)

Capital asset activity for the year ended December 31, 2011, for business-type activities was as follows:

<u>Business-type activities:</u>	<u>Balance</u> <u>12/31/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/11</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	469,079	-	-	469,079
Machinery and equipment	835,699	4,543	(41,395)	798,847
Sewer lines	9,997,708	-	-	9,997,708
Total capital assets, being depreciated	<u>11,302,486</u>	<u>4,543</u>	<u>(41,395)</u>	<u>11,265,634</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(344,168)	(11,325)	-	(355,493)
Machinery and equipment	(694,483)	(40,800)	40,994	(694,289)
Sewer lines	(3,948,512)	(199,954)	-	(4,148,466)
Total accumulated depreciation	<u>(4,987,163)</u>	<u>(252,079)</u>	<u>40,994</u>	<u>(5,198,248)</u>
Total capital assets, being depreciated net	<u>6,315,323</u>	<u>(247,536)</u>	<u>(401)</u>	<u>6,067,386</u>
Business-type activities capital assets, net	<u>\$ 6,322,823</u>	<u>\$ (247,536)</u>	<u>\$ (401)</u>	<u>\$ 6,074,886</u>

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

<u>Governmental activities:</u>	
Legislative and executive	\$ 73,954
Judicial	26,606
Public safety	199,189
Public works	704,647
Health	140,451
Human services	37,230
Economic development	140
Other	<u>65,917</u>
Total depreciation expense - governmental activities	<u>\$ 1,248,134</u>
<u>Business-type activities:</u>	
Sewer	<u>\$ 252,079</u>
Total depreciation expense - business-type activities	<u>\$ 252,079</u>

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE

The County has entered into capitalized leases for various equipment, including a new lease during 2011 for copiers. 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 \$364,641. 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 2011 totaled \$15,943 in the general fund, \$1,852 in the County Board of DD fund, \$1,105 in the motor vehicle and gas tax fund and \$1,732 in nonmajor governmental funds.

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, 2011:

<u>Year</u> <u>Ending December 31,</u>	<u>Amount</u>
2012	\$ 21,905
2013	20,655
2014	17,369
2015	<u>4,640</u>
Total minimum lease payment	64,569
Less: amount representing interest	<u>(8,221)</u>
Present value of minimum lease payments	<u>\$ 56,348</u>

NOTE 11 - 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, fully vested employees are 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, 2011, benefits for vacation leave for governmental fund type employees totaled \$719,168 and benefits for sick leave totaled \$247,270. For proprietary fund types, benefits for vacation leave totaled \$7,378 and benefits for sick leave totaled \$7,584.

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 12 - LONG-TERM OBLIGATIONS

A. Governmental Activities Long-Term Obligations

The following activity occurred in the County's governmental long-term obligations during 2011:

Governmental activities:	<u>Issue</u> <u>Date</u>	<u>Maturity</u> <u>Date</u>	<u>Balance</u> <u>12/31/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/11</u>	<u>Amount Due</u> <u>in One Year</u>
<u>General obligation bonds:</u>							
DHS Jobs Building - 5.5%	7/29/1992	7/29/2012	\$ 20,000	\$ -	\$ (10,000)	\$ 10,000	\$ 10,000
County Building 4.25%	10/15/2009	10/1/2039	393,200	-	(7,200)	386,000	7,400
Total general obligation bonds			<u>413,200</u>	<u>-</u>	<u>(17,200)</u>	<u>396,000</u>	<u>17,400</u>
<u>Loans:</u>							
OWDA #5250	7/30/2009	N/A	38,640	13,225	-	51,865	-
Total loans			<u>38,640</u>	<u>13,225</u>	<u>-</u>	<u>51,865</u>	<u>-</u>
<u>Other long-term obligations:</u>							
Capital leases			70,253	6,727	(20,632)	56,348	17,826
Compensated absences			974,533	104,073	(112,168)	966,438	7,230
Judgments payable			25,000	-	(5,000)	20,000	5,000
Total other long-term obligations			<u>1,069,786</u>	<u>110,800</u>	<u>(137,800)</u>	<u>1,042,786</u>	<u>30,056</u>
Total governmental activities			<u>\$ 1,521,626</u>	<u>\$ 124,025</u>	<u>\$ (155,000)</u>	<u>\$ 1,490,651</u>	<u>\$ 47,456</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.

OWDA Loans Payable: The County has entered into debt financing arrangements through the Ohio Water Development Authority (OWDA) to fund construction of upgrading personal septic systems throughout the County. The amounts due to the OWDA are payable solely from the general permanent improvement fund (a nonmajor governmental fund). The loan agreement functions similar to a line-of-credit agreement. At December 31, 2011, the County has outstanding borrowings of \$51,865. The loan was not closed out as of December 31, 2011 and future debt service principal and interest requirements for the loan are not available.

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. See Note 10 for further detail.

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 12 - LONG TERM OBLIGATIONS - (Continued)

Compensated Absences: 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, which, for the County, is primarily the general fund, the public assistance fund, the motor vehicle and gas tax fund, the County Board of DD fund and the bureau support administration fund (a nonmajor governmental fund).

Judgments Payable: On January 26, 2006, the County entered into a repayment agreement to fulfill all settlement requirements in connection with the bankruptcy judgment of Norris Equipment. See Note 17.

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 Ending December 31,	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 17,400	\$ 16,995	\$ 34,395
2013	7,800	16,090	23,890
2014	8,000	15,759	23,759
2015	8,500	15,419	23,919
2016	8,700	15,058	23,758
2017 - 2021	49,900	69,377	119,277
2022 - 2026	61,300	57,846	119,146
2027 - 2031	75,500	43,660	119,160
2032 - 2036	93,100	26,185	119,285
2037 - 2039	<u>65,800</u>	<u>5,674</u>	<u>71,474</u>
Total	<u>\$ 396,000</u>	<u>\$ 282,063</u>	<u>\$ 678,063</u>

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 12 - LONG TERM OBLIGATIONS - (Continued)

B. Business-Type Activities Obligations

The following activity occurred in the County's business-type long-term obligations during 2011:

Business-type activities:	<u>Issue</u> <u>Date</u>	<u>Maturity</u> <u>Date</u>	<u>Balance</u> <u>12/31/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/11</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	\$ 171,900	\$ -	\$ (18,100)	\$ 153,800	\$ 19,100
Brown Township/Malvern Sewerline Improvements - 4.5%	10/01/01	10/01/41	<u>2,697,200</u>	<u>-</u>	<u>(41,600)</u>	<u>2,655,600</u>	<u>43,500</u>
Total revenue bonds			<u>2,869,100</u>	<u>-</u>	<u>(59,700)</u>	<u>2,809,400</u>	<u>62,600</u>
<u>Loans payable:</u>							
United States Department of Agriculture, Rural Development - 4.25%	12/01/03	12/01/43	<u>184,200</u>	<u>-</u>	<u>(2,600)</u>	<u>181,600</u>	<u>2,800</u>
Total loans payable			<u>184,200</u>	<u>-</u>	<u>(2,600)</u>	<u>181,600</u>	<u>2,800</u>
<u>Other long-term obligations:</u>							
Compensated absences payable			13,742	7,579	(6,359)	14,962	7,378
Estimated liability for landfill closure and postclosure costs			<u>4,430,673</u>	<u>129,819</u>	<u>-</u>	<u>4,560,492</u>	<u>-</u>
Total other long-term obligations			<u>4,444,415</u>	<u>137,398</u>	<u>(6,359)</u>	<u>4,575,454</u>	<u>7,378</u>
Total business-type activities			<u>\$ 7,497,715</u>	<u>\$ 137,398</u>	<u>\$ (68,659)</u>	<u>\$ 7,566,454</u>	<u>\$ 72,778</u>

Revenue Bonds: The 1979 and 2001 revenue bonds were issued to provide resources for improvements to the Brown Township/Malvern sewerlines. Annual principal and interest payments on the bonds are expected to require less than 78.40 percent of net revenues. The total principal remaining to be paid on revenue bonds is \$2,809,400. Principal and interest paid for the current year and total customer net revenues was \$189,669 and \$241,927, respectively. These bonds will be retired through revenues derived from sewer operations.

Loans Payable: In 2003, the County was awarded a \$200,000 loan from the United States Department of Agriculture, Rural Development to provide resources for Malvern Sewerline improvements.

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 12 - LONG TERM OBLIGATIONS - (Continued)

Estimated Landfill Closure and Postclosure Costs - See Note 18 to the financial statements for detail.

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 Ending December 31,	Loans Payable			Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 2,800	\$ 7,718	\$ 10,518	\$ 62,600	\$ 127,192	\$ 189,792
2013	2,900	7,599	10,499	65,700	124,280	189,980
2014	3,000	7,476	10,476	68,500	121,222	189,722
2015	3,100	7,348	10,448	71,700	118,035	189,735
2016	3,300	7,216	10,516	74,800	114,699	189,499
2017 - 2021	18,600	33,869	52,469	345,400	522,061	867,461
2022 - 2026	22,800	29,575	52,375	369,900	445,329	815,229
2027 - 2031	28,100	24,293	52,393	460,800	354,289	815,089
2032 - 2036	34,700	17,792	52,492	574,300	240,836	815,136
2037 - 2041	42,600	9,771	52,371	715,700	99,453	815,153
2042 - 2043	19,700	1,266	20,966	-	-	-
Total	<u>\$ 181,600</u>	<u>\$ 153,923</u>	<u>\$ 335,523</u>	<u>\$ 2,809,400</u>	<u>\$ 2,267,396</u>	<u>\$ 5,076,796</u>

C. 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. The assessed valuation used in determining the County's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the County's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. Based on this calculation, the County's voted legal debt margin was \$11,764,973 at December 31, 2011 and the unvoted legal debt margin was \$5,068,389 at December 31, 2011.

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 13 - 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 sixty-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 years.

B. Health Care Insurance

The County has elected to provide health care insurance to employees through a fully-insured program. The County has switched insurance companies and now purchases commercial health care insurance from the County Employee Benefits Consortium of Ohio (CEBCO). The entire risk of loss transfers to the commercial insurance carrier. During 2011, the County offered a fully funded plan. The County's portion of the monthly premium under the health plan is \$376.96 for single, \$1,130.88 for family, \$830.42 for employee and spouse and \$677.40 for employee and children coverage. The County no longer offers the high deductible health plan.

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 14 - PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description - The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the Traditional Pension Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2011 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 11.00% and 11.60%, respectively. The County's contribution rate for 2011 was 14.00%, except for those plan members in law enforcement or public safety, for whom the County's contribution was 18.10% of covered payroll.

The County's contribution rate for pension benefits for members in the Traditional Plan for 2011 was 10.00%. The County's contribution rate for pension benefits for members in the Combined Plan for 2011 was 7.95%. For those plan members in law enforcement and public safety pension contributions were 14.10%. The County's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009 were \$1,014,539, \$954,803, and \$869,059, respectively; 96.54% has been contributed for 2011 and 100% has been contributed for 2010 and 2009. Contributions to the Member-Directed Plan for 2011 were \$20,769 made by the County and \$14,835 made by the plan members.

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 14 - PENSION PLANS - (Continued)

B. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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.

The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For 2011, plan members were required to contribute 10.00% of their annual covered salaries. The County was required to contribute 14.00%; 13.00% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to STRS Ohio for the years ended December 31, 2011, 2010, and 2009 were \$43,879, \$46,728, and \$48,086, respectively; 100% has been contributed for 2011, 2010 and 2009.

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 15 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement

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

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2011, local government employers contributed 14.00% of covered payroll (18.10% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2011 was 4.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2011 was 6.05%.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$401,270, \$527,509, and \$615,884, respectively; 96.54% has been contributed for 2011 and 100% has been contributed for 2010 and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

CARROLL COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

B. State Teachers Retirement System

Plan Description - The County contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1.00% of covered payroll to the Health Care Stabilization Fund. The County's contributions for health care for the years ended December 31, 2011, 2010, and 2009 were \$3,375, \$3,594, and \$3,699, respectively; 100 % has been contributed for 2011, 2010 and 2009.

NOTE 16 - 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 and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (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 assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

CARROLL COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for all governmental funds for which a budgetary basis statement is presented:

Net Change in Fund Balance

	<u>General fund</u>	<u>Motor Vehicle and Gas Tax fund</u>	<u>County Board of DD fund</u>	<u>Public Assistance fund</u>	<u>County Home fund</u>
Budget basis	\$ 352,152	\$ (99,227)	\$ (449,106)	\$ 17,759	\$ (34,548)
Net adjustment for revenue accruals	85,840	(4,240)	22,552	(91,108)	(12,705)
Net adjustment for expenditure accruals	(4,131)	(132,396)	(20,865)	(12,403)	(4,495)
Net adjustment for other sources/uses	(65,375)	-	-	-	-
Funds budgeted elsewhere	(12,238)	-	-	-	-
Adjustment for encumbrances	<u>98,295</u>	<u>225,936</u>	<u>95,585</u>	<u>113,431</u>	<u>20,866</u>
GAAP basis	<u>\$ 454,543</u>	<u>\$ (9,927)</u>	<u>\$ (351,834)</u>	<u>\$ 27,679</u>	<u>\$ (30,882)</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the unclaimed monies fund, trust fund, recorder's equipment fund, auditor's termination benefits fund and the title administration fund.

NOTE 17 - 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 are 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, 2011.

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, 2011**

NOTE 17 - 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 an 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 Federal Bankruptcy Code (11 U.S.C.).

On January 26, 2006, a repayment agreement was reached between the County and Sky Bank in regards to the \$450,000 loan outstanding. The agreement requires the County to pay \$50,000 to Sky Bank in \$5,000 annual installments for ten years. This amount is considered a full settlement of all obligations of the County. A liability of \$20,000 has been recorded on the government wide financial statements. See Note 12 for additional information.

NOTE 18 - 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 \$3,048,061 for closure costs and \$1,512,431 for post closure costs. The estimated liability for landfill closure and postclosure care has a balance of \$4,560,492 as of December 31, 2011. 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, 2011. 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 19 - RELATED PARTY TRANSACTION

The Industries, a discretely presented component unit of the County, received contributions from the County for certain personnel salaries. The contributions are reflected as operating revenues in the Industries financial statements. For the year ended December 31, 2011, the contributions were \$426,520.

NOTE 20 - 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 21 - CONDUIT DEBT OBLIGATION

In 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.

CARROLL COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 22 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 22,298
Motor vehicle and gas tax	94,979
County Board of DD	41,002
Public assistance	72,716
County home	7,428
Nonmajor governmental funds	<u>666,353</u>
Total	<u>\$ 904,776</u>

NOTE 23 - SUBSEQUENT EVENT

On January 18, 2012, the Ohio Environmental Protection Agency (Ohio EPA) released a report to the Carroll County Commissioners regarding its investigation of the Carroll County Landfill and its compliance with the Ohio Administrative Code (OAC) rule 3745-27, conducted on January 10, 2012. In the report to the Commissioners, the Ohio EPA detailed twenty-six violations of OAC rule 3745-27. Also, in the report, the Ohio EPA noted that the violations cited will continue until they have been properly abated. Failure to comply with Chapter 3734 of the Ohio Revised Code and rules promulgated there under may result in a civil penalty of up to \$10,000 per day for each violation. The County is contesting the violations and in the opinion of the County's legal counsel, any outcome is undeterminable at this time.

CARROLL COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 24 - FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the County is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund balance</u>	<u>General</u>	<u>Motor Vehicle and Gas Tax</u>	<u>County Board of DD</u>	<u>Public Assistance</u>	<u>County Home</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:							
Materials and supplies inventory	\$ 21,370	\$ 382,785	\$ -	\$ 1,450	\$ -	\$ 4,292	\$ 409,897
Prepays	79,759	598	1,301	5,855	1,181	1,160	89,854
Unclaimed monies	22,422	-	-	-	-	-	22,422
Total nonspendable	<u>123,551</u>	<u>383,383</u>	<u>1,301</u>	<u>7,305</u>	<u>1,181</u>	<u>5,452</u>	<u>522,173</u>
Restricted:							
Legislative and executive	-	-	-	-	-	601,184	601,184
Judicial	-	-	-	-	-	112,688	112,688
Public safety	-	-	-	-	-	399,841	399,841
Public works	-	2,821,153	-	-	-	28,739	2,849,892
Health	-	-	1,918,647	-	-	38,233	1,956,880
Human services	-	-	-	471,721	30,713	603,399	1,105,833
Economic development and assistance	-	-	-	-	-	144,240	144,240
Urban development and housing	-	-	-	-	-	27,098	27,098
Transportation	-	-	-	-	-	87,340	87,340
Other	-	-	-	-	-	43,290	43,290
Capital projects	-	-	-	-	-	81,916	81,916
Total restricted	<u>-</u>	<u>2,821,153</u>	<u>1,918,647</u>	<u>471,721</u>	<u>30,713</u>	<u>2,167,968</u>	<u>7,410,202</u>
Committed:							
Legislative and executive	29,884	-	-	-	-	-	29,884
Judicial	-	-	-	-	-	2,557	2,557
Public safety	1,004	-	-	-	-	343,438	344,442
Health	57	-	-	-	-	-	57
Other	-	-	-	-	-	874	874
Capital projects	-	-	-	-	-	256,913	256,913
Total committed	<u>30,945</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>603,782</u>	<u>634,727</u>
Assigned:							
Judicial	1,113	-	-	-	-	-	1,113
Public safety	5,571	-	-	-	-	-	5,571
Public works	885	-	-	-	-	-	885
Human services	141	-	-	-	-	-	141
Subsequent year appropriations	524,450	-	-	-	-	-	524,450
Total assigned	<u>532,160</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>532,160</u>
Unassigned (deficit)	<u>1,057,720</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(127,973)</u>	<u>929,747</u>
Total fund balances	<u>\$ 1,744,376</u>	<u>\$ 3,204,536</u>	<u>\$ 1,919,948</u>	<u>\$ 479,026</u>	<u>\$ 31,894</u>	<u>\$ 2,649,229</u>	<u>\$ 10,029,009</u>

SUPPLEMENTARY DATA

**CARROLL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(A) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed through Ohio Department of Job and Family Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	G-89-20-1033/G-1011-11-5017	\$ 174,040
<i>Passed through Ohio Department of Education:</i>			
Nutrition Grant Cluster:			
(B), (D), (E) School Breakfast Program	10.553	2011	3,444
(B), (D), (E) National School Lunch Program	10.555	2011	5,999
Total Nutrition Grant Cluster			9,443
Total U.S. Department of Agriculture			183,483
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grants/State's Program:	14.228	G-F- 09-010-1	1,256
Community Development Block Grants/State's Program:	14.228	B-F-11-1AJ-1	1,338
Community Development Block Grants/State's Program:	14.228	G-C- 08-010-1	125
Community Development Block Grants/State's Program:	14.228	B-E-08-010-1	46,137
Community Development Block Grants/State's Program:	14.228	B-C-10-IAJ-1	12,514
(K) Community Development Block Grants/State's Program:	14.228	B-F-10-010-1	124,654
	14.228	N/A	350
Total Community Development Block Grants/State's Program			186,374
Home Investment Partnerships Program	14.229	B-C-10-IAJ-2	132,331
Total U.S. Department of Housing and Urban Development			318,705
U.S. DEPARTMENT OF JUSTICE			
<i>Passed Through the Office of Criminal Justice:</i>			
Crime Victim Assistance	16.575	2010 VAGE NE 087	46,054
Crime Victim Assistance	16.575	2012 SAGE NE 087	10,914
Total Crime Victim Assistance			56,968
Edward Byrne Memorial Justice Assistance Grant Cluster:			
(F) Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-JG-LLE-5322	12,500
(F) Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-JG-A02-6734	24,934
Total Edward Byrne Memorial Justice Assistance Grant Program			37,434
(F) ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States	16.803	2009-RA-A02-2304	68,691
Total Edward Byrne Memorial Justice Assistance Grant Cluster			106,125
Total U.S. Department of Justice			163,093
U.S. DEPARTMENT OF LABOR			
<i>Passed Through Ohio Department of Job and Family Services and Area 16 Workforce Investment Board</i>			
Workforce Investment Act Grant Cluster:			
(C), (G) WIA Adult Program	17.258	N/A	52,110
(C), (G) WIA Adult Program - Administration	17.258	N/A	6,493
Total WIA Adult Program			58,603
(C), (G) WIA Youth Activities	17.259	N/A	32,374
(C), (G) WIA Dislocated Workers	17.260	N/A	3,825
(C), (G) WIA Dislocated Worker Formula Grants	17.278	N/A	177,457
(C), (G) WIA Dislocated Worker Formula Grants - Administrator	17.278	N/A	40,299
Total WIA Dislocated Worker Formula Grants			217,756
Total U.S. Department of Labor and Workforce Investment Act Grant Cluster			312,558
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Ohio Department of Transportation:</i>			
Formula Grants for Other Than Urbanized Areas	20.509	RPT 0010 030102	577
Formula Grants for Other Than Urbanized Areas	20.509	RPT 0010 031112	50,195
Formula Grants for Other Than Urbanized Areas	20.509	RPT 4010 030101	45,569
Formula Grants for Other Than Urbanized Areas	20.509	RPT 4010 031111	120,276
ARRA - Formula Grants for Other Than Urbanized Areas	20.509	RPTS0010 003094	517,988
Total Formula Grants for Other Than Urbanized Areas			734,605
<i>Passed Through Ohio Department of Public Safety:</i>			
State and Community Highway Safety	20.600	HVEO-2010-10-0000901-00	15,261
Total U.S. Department of Transportation			749,866

-Continued

CARROLL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(A) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF ENERGY			
<i>Passed Through N/A</i>			
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG+	81.128	N/A	675
Total U.S. Department of Energy			675
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
Special Education Grant Cluster:			
(D), (I) Special Education_Grants to States	84.027	2011	23,381
(D), (I) Special Education_Preschool Grants	84.173	2011	6,231
(D), (I) Special Education - Grants for Infants and Families	84.181	2011	21,746
(D), (I) ARRA - Special Education - Grants for Infants and Families, Recovery Acv	84.393	2011	21,544
Total U.S. Department of Education and Special Education Grant Cluster			72,902
ELECTIONS ASSISTANCE COMMISSION			
<i>Passed Through Ohio Secretary of State:</i>			
(C) Help America Vote Act Requirements Payments	90.401	N/A	957
Total Elections Assistance Commission			957
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Secretary of State:</i>			
(C) Voting Access for Individuals with Disabilities_Grants to States	93.617	N/A	980
<i>Passed Through Ohio Department Of Job and Family Services:</i>			
Promoting Safe and Stable Families	93.556	G-89-20-1033/G-1011-11-5017	24,536
Temporary Assistance for Needy Families	93.558	G-89-20-1033/G-1011-11-5017	568,142
Child Support Enforcement	93.563	G-89-20-1033/G-1011-11-5017	258,507
Child Care and Development Grant Cluster:			
(H) Child Care and Development Block Grant	93.575	G-89-20-1033/G-1011-11-5017	17,556
(H) Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G-89-20-1033/G-1011-11-5017	18,443
Total Child Care and Development Grant Cluster			35,999
Community-Based Child Abuse Prevention Grants	93.590	G-89-20-1033/G-1011-11-5017	1,876
Child Welfare Services_State Grants	93.645	G-89-20-1033/G-1011-11-5017	41,592
Foster Care_Title IV-E	93.658	G-89-20-1033/G-1011-11-5017	108,487
ARRA - Foster Care_Title IV-E	93.658	G-89-20-1033/G-1011-11-5017	783
Total Foster Care_Title IV-E			109,270
Adoption Assistance	93.659	G-89-20-1033/G-1011-11-5017	21,302
ARRA - Adoption Assistance	93.659	G-89-20-1033/G-1011-11-5017	2,513
Total Adoption Assistance			23,815
(C), (J) Social Services Block Grant	93.667	G-89-20-1033/G-1011-11-5017	214,552
Social Services Block Grant	93.667	N/A	29,198
Total Social Services Block Grant			243,750
Chafee Foster Care Independence Program	93.674	G-89-20-1033/G-1011-11-5017	6,379
Children's Health Insurance Program	93.767	G-89-20-1033/G-1011-11-5017	8
Medical Assistance Program	93.778	G-89-20-1033/G-1011-11-5017	93,788
Medical Assistance Program	93.778	G-89-20-1033/G-1011-11-5017	636
(C), (J), (L) Medical Assistance Program - Medicaid Administration	93.778	N/A	76,912
(C), (J) ARRA - Medical Assistance Program	93.778	N/A	15,813
Total Medical Assistance Program			187,149
Total U.S. Department of Health and Human Services			1,502,003
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Passed Through Ohio Emergency Management Agency:</i>			
(C) Emergency Food and Shelter National Board Program	97.024	N/A	1,525
Emergency Management Performance Grants	97.042	2010-EP-00-0003	52,996
Homeland Security Grant Program	97.067	2009-SS-T9-0089	41,987
Total U.S. Department of Homeland Security			96,508
Total Federal Financial Assistance			\$ 3,400,750

-Continued

**CARROLL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

- (A) This schedule was prepared on the cash basis of accounting.
- (B) Program regulations do not require the County to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the schedule at the fair value of the commodities received.
- Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.
- (C) Pass-through numbers were unable to be obtained for these grants.
- (D) OAKS did not assign pass through numbers.
- (E) Included as part of the "Nutrition Grant Cluster" in determining major programs.
- (F) Included as part of the "Edward Bryne Memorial Justice Assistance Grant Cluster" in determining major programs.
- (G) Included as part of the "Workforce Investment Act Grant Cluster" in determining major programs.
- (H) Included as part of the "Child Care and Development Grant Cluster" in determining major programs.
- (I) Included as part of the "Special Education Grant Cluster" in determining major programs.
- (J) This portion of the grant was passed through Ohio Department of Developmental Disabilities.
- (K) The County has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to that County passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on this schedule. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on this schedule. These loans are collateralized by mortgages on the property. The County incurred \$350 in administrative costs during 2011.
- Activity in the Community Development Block Grant revolving loan fund during 2011 is as follows:
- | | | |
|--|-----------|----------|
| Beginning loans receivable balance as of January 1, 2011 | \$ | - |
| Loans Disbursed | | - |
| Loans Repaid | | - |
| Ending loans receivable balance as of December 31, 2011 | <u>\$</u> | <u>-</u> |
| | | |
| Cash balance on hand as of December 31, 2011 | \$ | 73,240 |
| Delinquent amounts due as of December 31, 2011 | \$ | - |
- (L) During the calendar year, the County received a deferred payment from the Ohio Department of Developmental Disabilities (DODD) for the Medicaid program (CFDA #93.778) in the amount of \$192,684. The deferred payment was for Medicaid Administrative Claiming (MAC) and Waiver Administrative Claiming (WAC) expenses the County incurred in prior reporting periods due to an increase of federal funding received by DODD to reimburse these expenses and also due to changes in the County's Medicaid Eligibility Rate (MER) for certain activity codes within MAC/WAC. This revenue is not listed on the County's Schedule of Federal Awards since the underlying expenses occurred in prior reporting periods.



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Accountants' Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Required by *Government Auditing Standards***

Carroll County
119 Lisbon Street, Suite 203
Carrollton, Ohio 44615

To the Board of 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, Ohio, as of and for the year ended December 31, 2011, which collectively comprise Carroll County's basic financial statements and have issued our report thereon dated July 20, 2012, wherein we noted Carroll County implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". Our report refers to 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 the Comptroller General of the United States' *Government Auditing Standards*. Other auditors audited the financial statements of Carroll Hills Industries, Inc., Carroll County's only discretely presented component unit, as described in our report on Carroll County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that those auditors separately reported.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of Carroll County's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Board of Commissioners
Carroll County

Compliance and Other Matters

As part of reasonably assuring whether Carroll County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the management, the Board of Commissioners of Carroll County, federal awarding agencies and pass-through entities, and others within Carroll County. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
July 20, 2012



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Accountants' Report on Compliance With Requirements Applicable
to Each Major Federal Program and on Internal Control Over Compliance
Required by OMB Circular A-133**

Carroll County
119 Lisbon Street, Suite 203
Carrollton, Ohio 44615

To the Board of Commissioners:

Compliance

We have audited the compliance of Carroll County, Ohio with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Carroll County's major federal programs for the year ended December 31, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies Carroll County's major federal programs. Carroll County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on Carroll County's compliance based on our audit.

Carroll County's basic financial statements include the operation of Carroll Hills Industries, Inc., which was audited by other auditors. Our audit of Federal awards, described below, did not include the operations of Carroll Hills Industries, Inc. because the component unit is legally separate from the primary government which this report addresses, and because it expended less than \$500,000 of federal awards for the year ended December 31, 2011, it was not subject to OMB Circular A-133 audit requirements.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about Carroll County's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Carroll County's compliance with these requirements.

In our opinion, Carroll County complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

Carroll County's management is responsible for establishing and maintaining effective internal control over compliance with the 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 directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of Carroll County's internal control over compliance.

Board of Commissioners
Carroll County

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the management, the Board of Commissioners of Carroll County, federal awarding agencies and pass-through entities, and others within Carroll County. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
July 20, 2012

CARROLL COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program, CFDA #10.561; Formula Grants for Other Than Urbanized Areas, CFDA #20.509; Temporary Assistance for Needy Families, CFDA #93.558; Social Services Block Grant, CFDA #93.667; Medical Assistance Program, CFDA #93.778
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

CARROLL COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Dave Yost • Auditor of State

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
AUGUST 30, 2012