



Mary Taylor, CPA  
Auditor of State



**FINANCIAL CONDITION  
CARROLL COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Financial Condition  
Carroll County  
119 Public Square  
Carrollton, OH 44615

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Carroll County, Ohio (the County), as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Carroll Hills Industries, Inc., which represent 100% of the assets and revenues of the component unit column. Other auditors audited those financial statements. They have furnished their report thereon to us and we base our opinion, insofar as it relates to the amounts included for Carroll Hills Industries, Inc. on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Carroll County, Ohio, as of December 31, 2007, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General and Motor Vehicle and Gas Tax, County Board of MRDD, Public Assistance, and County Home for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2008, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

July 31, 2008

## CARROLL COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2007 (UNAUDITED)

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, 2007. 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 2007 are as follows:

- The total net assets of the County decreased \$59,446. Net assets of governmental activities increased \$50,500, which represents a 0.29% increase over fiscal year 2006. Net assets of business-type activities decreased \$109,946 or 24.20% from fiscal year 2006.
- General revenues accounted for \$8,650,650 or 37.65% of total governmental activities revenue. Program specific revenues accounted for \$14,328,777 or 62.35% of total governmental activities revenue.
- The County had \$22,923,927 in expenses related to governmental activities; \$14,328,777 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$8,650,650 were adequate to provide for these programs.
- The County's major funds are the general fund, motor vehicle and gas tax fund, County board of MRDD fund, public assistance fund and county home fund. The general fund, the County's largest major fund, had revenues and other financing sources of \$6,001,917 in 2007, a decrease of \$6,136 or 0.10% from 2006. The expenditures and other financing uses of the general fund totaled \$5,952,319 in 2007, increased \$187,414 or 3.25% from 2006. The general fund balance increased \$49,598 from 2006 to 2007.
- The motor vehicle and gas tax fund, a County major fund, had revenues of \$3,696,584 in 2007, a decrease of \$99,977 or 2.63% from 2006. The motor vehicle and gas tax fund had expenditures of \$3,120,105 in 2007, a decrease of \$624,658 or 16.68% from 2006. The motor vehicle and gas tax fund balance increased \$576,479 from 2006 to 2007.
- The County board of MRDD, a County major fund, had revenues of \$4,564,004 in 2007, an increase of \$559,001 or 13.96% from 2006. The County board of MRDD had expenditures of \$4,503,723 in 2007, an increase of \$702,180 or 18.47% from 2006. The County board of MRDD fund balance increased \$60,281 from 2006 to 2007.
- The public assistance fund, a County major fund, had revenues of \$3,232,017 in 2007, an increase of \$8,896 or 0.27% from 2006. The public assistance fund had expenditures of \$3,204,306 in 2007, an increase of \$480,951 or 16.38% from 2006. The public assistance fund balance increased \$27,711 from 2006 to 2007.
- The county home fund, a County major fund, had revenues of \$1,408,181 in 2007, an increase of \$51,343 or 3.78% from 2006. The county home fund had expenditures of \$1,425,618 in 2007, an increase of \$79,957 or 5.94% from 2006. The county home fund balance decreased \$17,437 from 2006 to 2007.
- Net assets for the sewer enterprise fund decreased in 2007 by \$110,526 or 2.53%. The net assets deficit for the sanitary landfill decreased in 2007 by \$580 or 0.01%.
- In the general fund, the actual revenues came in \$7,039 higher than they were in the final budget and actual expenditures were \$195,847 less than the amount in the final budget. These positive variances are a result of the County's conservative budgeting process.

## CARROLL COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2007 (UNAUDITED)

#### **Using this Basic Financial Statements (BFS)**

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

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

#### **Reporting the County as a Whole**

##### *Statement of Net Assets and the Statement of Activities*

The statement of net assets and the statement of activities answer the question, How did we do financially during 2007? 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, 2007 (UNAUDITED)

Fund financial reports provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the general fund, motor vehicle and gas tax, County board of mental retardation and developmentally disabled (MRDD), public assistance and county home. The analysis of the County's major governmental and proprietary funds begins on page 10.

#### ***Governmental Funds***

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

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

The County maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental financial statements can be found on pages 18-29 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 30-32 of this report.

#### ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on page 33 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 35-69 of this report.

**CARROLL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(UNAUDITED)

**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 2007 and 2006.

	<b>Net Assets</b>					
	Governmental Activities 2007	Business-type Activities 2007	Governmental Activities 2006	Business-type Activities 2006	2007 Total	2006 Total
<u>Assets</u>						
Current and other assets	\$ 14,734,973	\$ 673,720	\$ 14,118,768	\$ 664,795	\$ 15,408,693	\$ 14,783,563
Capital assets	<u>9,468,584</u>	<u>7,051,983</u>	<u>10,259,438</u>	<u>7,268,996</u>	<u>16,520,567</u>	<u>17,528,434</u>
Total assets	<u>24,203,557</u>	<u>7,725,703</u>	<u>24,378,206</u>	<u>7,933,791</u>	<u>31,929,260</u>	<u>32,311,997</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	1,323,709	7,154,847	1,335,675	7,250,994	8,478,556	8,586,669
Other liabilities	<u>5,135,838</u>	<u>226,421</u>	<u>5,349,021</u>	<u>228,416</u>	<u>5,362,259</u>	<u>5,577,437</u>
Total liabilities	<u>6,459,547</u>	<u>7,381,268</u>	<u>6,684,696</u>	<u>7,479,410</u>	<u>13,840,815</u>	<u>14,164,106</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	9,242,177	3,828,183	10,023,811	3,940,696	13,070,360	13,964,507
Restricted	7,462,622	28,970	5,610,776	28,970	7,491,592	5,639,746
Unrestricted (deficit)	<u>1,039,211</u>	<u>(3,512,718)</u>	<u>2,058,923</u>	<u>(3,515,285)</u>	<u>(2,473,507)</u>	<u>(1,456,362)</u>
Total net assets	<u>\$ 17,744,010</u>	<u>\$ 344,435</u>	<u>\$ 17,693,510</u>	<u>\$ 454,381</u>	<u>\$ 18,088,445</u>	<u>\$ 18,147,891</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2007, the County's assets exceeded liabilities by \$18,088,445. This amounts to \$17,744,010 in governmental activities and \$344,435 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 51.74% of total governmental and business-type assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2007, were \$13,070,360. 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, 2007, the County is able to report positive balances in all three categories of net assets for the governmental activities. Business-type activities reported a deficit unrestricted net asset balance, primarily due to the \$3,915,483 estimated accrued liability for landfill closure and post closure costs.

A portion of the County's net assets, \$7,491,592 or 41.42%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of government-wide unrestricted net assets is a deficit of \$2,473,507.

**CARROLL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(UNAUDITED)**

The table below shows the changes in net assets for fiscal years 2007 and 2006.

	<b>Change in Net Assets</b>					
	Governmental	Business-type	Governmental	Business-type	2007	2006
	Activities	Activities	Activities	Activities		
	2007	2007	2006	2006	Total	Total
<b>Revenues</b>						
Program revenues:						
Charges for services and sales	\$ 3,146,031	\$ 750,671	\$ 2,787,688	\$ 670,540	\$ 3,896,702	\$ 3,458,228
Operating grants and contributions	10,488,103	-	11,110,322	-	10,488,103	11,110,322
Capital grants and contributions	694,643	-	-	-	694,643	-
<b>Total program revenues</b>	<b>14,328,777</b>	<b>750,671</b>	<b>13,898,010</b>	<b>670,540</b>	<b>15,079,448</b>	<b>14,568,550</b>
General revenues:						
Property taxes	4,477,075	-	4,377,272	-	4,477,075	4,377,272
Sales tax	1,803,206	-	1,603,847	-	1,803,206	1,603,847
Unrestricted grants	732,927	-	1,396,733	-	732,927	1,396,733
Investment earnings	483,135	28,213	469,568	23,837	511,348	493,405
Other	1,154,307	10,038	1,581,940	10,328	1,164,345	1,592,268
<b>Total general revenues</b>	<b>8,650,650</b>	<b>38,251</b>	<b>9,429,360</b>	<b>34,165</b>	<b>8,688,901</b>	<b>9,463,525</b>
<b>Total revenues</b>	<b>22,979,427</b>	<b>788,922</b>	<b>23,327,370</b>	<b>704,705</b>	<b>23,768,349</b>	<b>24,032,075</b>
Program Expenses:						
General government	3,796,303	-	3,856,693	-	3,796,303	3,856,693
Public safety	2,437,072	-	2,245,868	-	2,437,072	2,245,868
Public works	4,650,302	-	5,119,807	-	4,650,302	5,119,807
Health	4,435,752	-	3,975,511	-	4,435,752	3,975,511
Human services	6,122,275	-	5,849,515	-	6,122,275	5,849,515
Economic development and assistance	370,866	-	504,957	-	370,866	504,957
Urban redevelopment and housing	44,546	-	240,988	-	44,546	240,988
Other	1,047,890	-	749,960	-	1,047,890	749,960
Interest and fiscal charges	18,921	-	11,927	-	18,921	11,927
Sewer	-	899,448	-	877,278	899,448	877,278
Sanitary landfill	-	4,420	-	20,337	4,420	20,337
<b>Total expenses</b>	<b>22,923,927</b>	<b>903,868</b>	<b>22,555,226</b>	<b>897,615</b>	<b>23,827,795</b>	<b>23,452,841</b>
Transfers	(5,000)	5,000	(22,043)	22,043	-	-
<b>Change in net assets</b>	<b>50,500</b>	<b>(109,946)</b>	<b>750,101</b>	<b>(170,867)</b>	<b>(59,446)</b>	<b>579,234</b>
Net assets at beginning of year	17,693,510	454,381	16,943,409	625,248	18,147,891	17,568,657
<b>Net assets at end of year</b>	<b>\$ 17,744,010</b>	<b>\$ 344,435</b>	<b>\$ 17,693,510</b>	<b>\$ 454,381</b>	<b>\$ 18,088,445</b>	<b>\$ 18,147,891</b>

## CARROLL COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2007 (UNAUDITED)

#### **Governmental Activities**

Governmental net assets increased by \$50,500 in 2007 from 2006.

General government represents activities related to the governing body as well as activities that directly support County programs. In 2007, general government expenses totaled \$3,796,303, or 16.56% of total governmental expenses. General government programs were supported by \$1,635,942 in direct charges to users.

The County program, human services, which supports the operations of the county home, public assistance, and the children services board accounted for \$1,636,072 of expenses, or 26.71% of total governmental expenses of the County during 2007. These expenses were funded by \$811,511 in charges to users of services and \$4,542,214 in operating grants and contributions in 2007.

The second largest County program, public works, accounted for \$4,650,302 or 20.29% 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 were the largest type of program revenue. The state and federal government contributed revenues of \$10,488,103 in operating grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$4,542,214, or 43.31%, subsidized human services programs and \$3,625,854, or 34.57%, subsidized public works programs. Another type of program revenue, direct charges to users of governmental activities, made up \$3,146,031 or 13.69% 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.

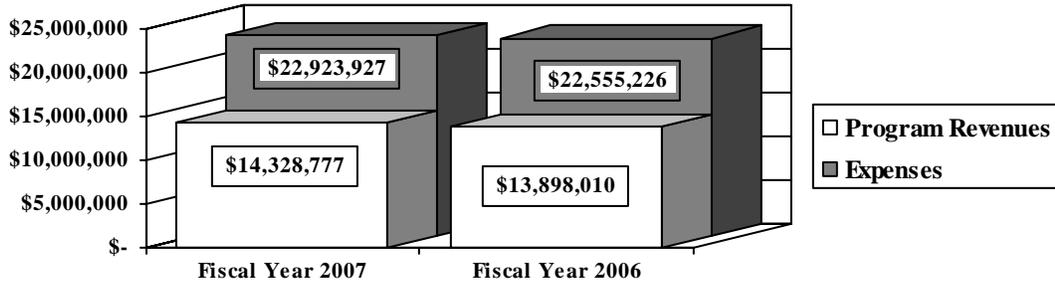
General revenues totaled \$8,650,650, and amounted to 37.65% of total revenues. These revenues primarily consist of property and sales tax revenue of \$6,280,281, or 72.60% of total general revenues in 2007. Property taxes increased by 2.28% during 2007. Sales tax increased 12.43% in 2007. The other primary source of general revenues is grants and entitlements not restricted to specific programs, with local government and local government revenue assistance making up \$732,927 or 8.47% of the total. Interest earnings, which were \$483,135, increased slightly by \$13,567 or 2.89%, due to aggressive investments.

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 2007. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

**CARROLL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(UNAUDITED)

**Governmental Activities – Program Revenues vs. Total Expense**



**Governmental Activities**

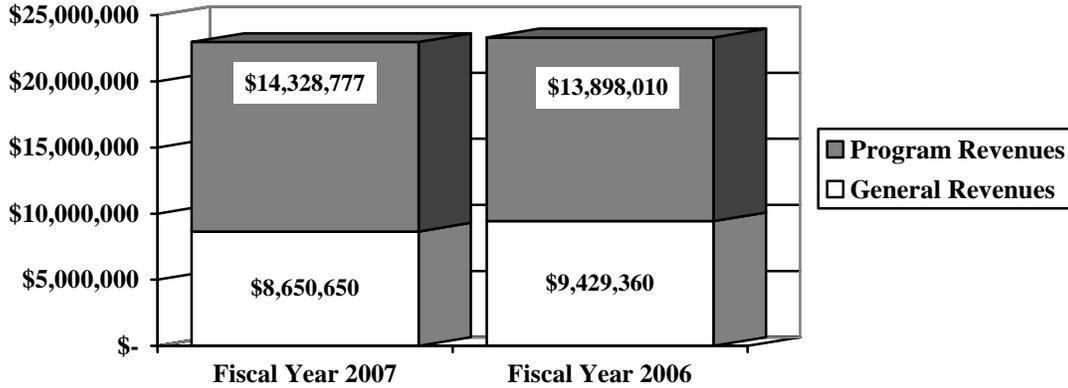
	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2006</u>
Program Expenses:				
General government	\$ 3,796,303	\$ 2,160,231	\$ 3,856,693	\$ 2,376,440
Public safety	2,437,072	1,760,653	2,245,868	1,533,925
Public works	4,650,302	273,646	5,119,807	851,720
Health	4,435,752	2,562,654	3,975,511	2,605,972
Human services	6,122,275	768,550	5,849,515	596,600
Economic development and assistance	370,866	330,866	504,957	388,842
Urban redevelopment and housing	44,546	(647)	240,988	(187,362)
Other	1,047,890	792,692	749,960	488,262
Interest and fiscal charges	18,921	(53,495)	11,927	2,817
<b>Total</b>	<u>\$ 22,923,927</u>	<u>\$ 8,595,150</u>	<u>\$ 22,555,226</u>	<u>\$ 8,657,216</u>

The dependence upon general revenues for governmental activities is apparent; with 37.49% of expenses supported through taxes and other general revenues during 2007.

**CARROLL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(UNAUDITED)

**Governmental Activities - General and Program Revenues**



**Business-Type Activities**

The sewer and sanitary landfill funds are the County's two major enterprise funds. These programs had revenues of \$750,671 and expenses of \$903,868 for fiscal year 2007. The net assets of the programs decreased \$109,946 or 24.20% from 2006.

**Financial Analysis of the Government's Funds**

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

**Governmental Funds**

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

The County's governmental funds (as presented on the balance sheet on pages 22-23) reported a combined fund balance of \$7,419,119, which is \$1,315,102 above last year's total of \$6,104,017. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2007 and December 31, 2006, for all major and nonmajor governmental funds.

	<u>Fund Balance</u> <u>December 31, 2007</u>	<u>Fund Balance</u> <u>December 31, 2006</u>	<u>Increase/</u> <u>(Decrease)</u>
Major Funds:			
General	\$ 1,137,338	\$ 1,087,740	\$ 49,598
Motor vehicle and gas tax	2,231,885	1,655,406	576,479
County board of MRDD	1,442,118	1,381,837	60,281
Public assistance	423,989	396,278	27,711
County home	38,516	55,953	(17,437)
Other nonmajor governmental funds	<u>2,145,273</u>	<u>1,526,803</u>	<u>618,470</u>
Total	<u>\$ 7,419,119</u>	<u>\$ 6,104,017</u>	<u>\$ 1,315,102</u>

## CARROLL COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2007 (UNAUDITED)

#### ***General Fund***

The general fund, the County's largest major fund, had revenues and other financing sources of \$6,001,917 in 2007, a decrease of \$6,136 or 0.10% from 2006. The expenditures and other financing uses of the general fund totaled \$5,952,319 in 2007, increased \$187,414 or 3.25% from 2006. The general fund balance increased \$49,598 from 2006 to 2007.

#### ***Motor Vehicle and Gas Tax Fund***

The motor vehicle and gas tax fund, a County major fund, had revenues of \$3,696,584 in 2007, a decrease of \$99,977 or 2.63% from 2006. The motor vehicle and gas tax fund had expenditures of \$3,120,105 in 2007, a decrease of \$624,658 or 16.68% from 2006. The motor vehicle and gas tax fund balance increased \$576,479 from 2006 to 2007.

#### ***County Board of Mental Retardation and Developmentally Disabled (MRDD)***

The County board of MRDD, a County major fund, had revenues of \$4,564,004 in 2007, an increase of \$559,001 or 13.96% from 2006. The County board of MRDD had expenditures of \$4,503,723 in 2007, an increase of \$702,180 or 18.47% from 2006. The County board of MRDD fund balance increased \$60,281 from 2006 to 2007.

#### ***Public Assistance Fund***

The public assistance fund, a County major fund, had revenues of \$3,232,017 in 2007, an increase of \$8,896 or 0.27% from 2006. The public assistance fund had expenditures of \$3,206,306 in 2007, an increase of \$480,951 or 16.38% from 2006. The public assistance fund balance increased \$27,711 from 2006 to 2007.

#### ***County Home Fund***

The county home fund, a County major fund, had revenues of \$1,408,181 in 2007, an increase of \$51,343 or 3.78% from 2006. The county home fund had expenditures of \$1,425,618 in 2007, an increase of \$79,957 or 5.94% from 2006. The county home fund balance decreased \$17,437 from 2006 to 2007.

#### ***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 were \$5,750,000 and were increased to \$6,116,978 in the final budget. Actual revenues and other financing sources of \$6,124,017 exceeded final budgeted revenues and financing sources by \$7,039 or 0.11%. This difference is due to the County's conservative approach to budgeting. Original appropriations of \$6,154,581 equaled the final appropriations. The difference between the final budgeted appropriations and actual expenditures and other financing uses was \$195,847 or 3.18%.

#### ***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.

**CARROLL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(UNAUDITED)

**Capital Assets and Debt Administration**

*Capital Assets*

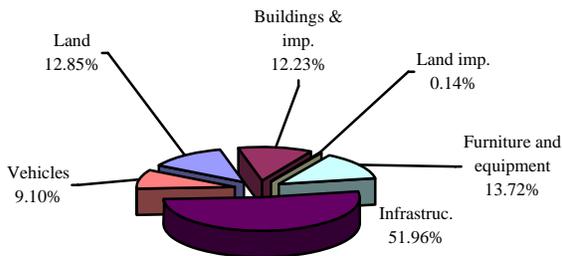
At the end of 2007, the County had \$16,520,567 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. Of this total, \$9,468,584 was reported in governmental activities and \$7,051,983 was reported in business-type activities, see Note 9 to the basic financial statements for detail. The following table shows fiscal 2007 balances compared to 2006:

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

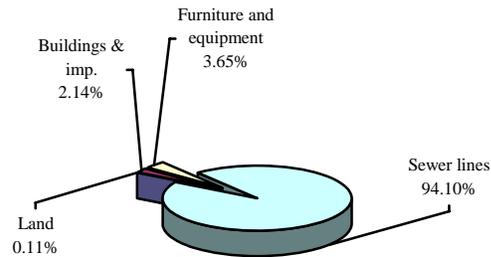
	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 1,216,642	\$ 1,216,642	\$ 7,500	\$ 7,500	\$ 1,224,142	\$ 1,224,142
Construction in progress	-	219,176	-	-	-	219,176
Land improvements	12,894	15,373	-	-	12,894	15,373
Building and improvements	1,158,333	1,237,146	150,806	150,806	1,309,139	1,387,952
Furniture and equipment	1,299,081	1,459,221	257,329	261,678	1,556,410	1,720,899
Vehicles	861,761	941,262	-	-	861,761	941,262
Infrastructure	4,919,873	5,170,618	-	-	4,919,873	5,170,618
Sewer lines	-	-	6,636,348	6,849,012	6,636,348	6,849,012
<b>Total</b>	<b>\$ 9,468,584</b>	<b>\$ 10,259,438</b>	<b>\$ 7,051,983</b>	<b>\$ 7,268,996</b>	<b>\$ 16,520,567</b>	<b>\$ 17,528,434</b>

The following graphs show the breakdown of governmental and business-type capital assets by category for 2007 and 2006.

**Capital Assets - Governmental Activities 2007**



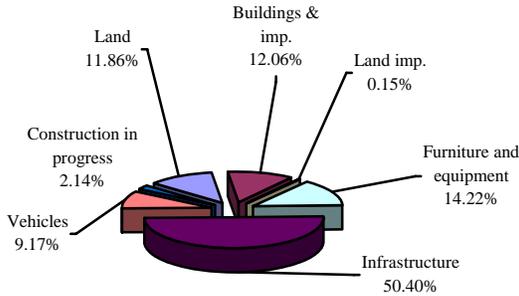
**Capital Assets - Business-Type Activities 2007**



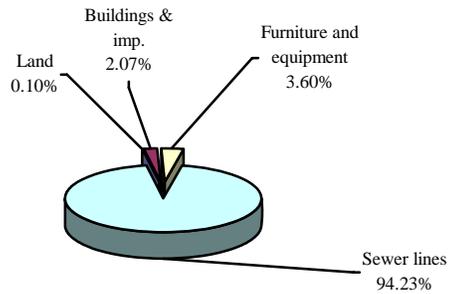
**CARROLL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(UNAUDITED)**

**Capital Assets - Governmental Activities 2006**



**Capital Assets - Business-Type Activities 2006**



***Debt Administration***

The County had the following long-term obligations outstanding at December 31, 2007 and 2006:

	Governmental Activities 2007	Governmental Activities 2006
General obligation bonds	\$ 70,000	\$ 90,000
Special assessment bonds	14,000	21,000
OPWC loan	4,884	9,768
Capital lease obligations	<u>137,523</u>	<u>114,859</u>
<b>Total long-term obligations</b>	<b><u>\$ 226,407</u></b>	<b><u>\$ 235,627</u></b>
	Business-Type Activities 2007	Business-Type Activities 2006
Revenue bonds	\$ 3,032,300	\$ 3,082,600
Loans payable	<u>191,500</u>	<u>245,700</u>
<b>Total long-term obligations</b>	<b><u>\$ 3,223,800</u></b>	<b><u>\$ 3,328,300</u></b>

See Note 12 to the basic financial statements for additional disclosures and detail regarding the County's debt activity.

## **CARROLL COUNTY, OHIO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2007 (UNAUDITED)**

#### **Economic Factors and Next Year's Budgets and Rates**

The following economic factors were taken into consideration in preparing the budget for fiscal year 2008:

The County's unemployment rate is currently 6.2%, compared to the 5.6% state average and the 5% national average.

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

**CARROLL COUNTY, OHIO**

STATEMENT OF NET ASSETS  
DECEMBER 31, 2007

	<u>Primary Government</u>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-Type Activity</b>	<b>Total</b>	
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 6,395,875	\$ 590,221	\$ 6,986,096	\$ -
Cash with fiscal and escrow agents . . . . .	50,766	-	50,766	91,979
Receivables (net of allowances for uncollectibles):				
Sales taxes . . . . .	280,803	-	280,803	-
Real estate and other taxes . . . . .	4,567,266	-	4,567,266	-
Accounts . . . . .	67,253	54,342	121,595	23,116
Due from other governments . . . . .	2,792,711	-	2,792,711	-
Special assessments . . . . .	144,235	-	144,235	-
Accrued interest . . . . .	7,148	187	7,335	-
Prepayments . . . . .	70,060	-	70,060	-
Materials and supplies inventory . . . . .	358,856	-	358,856	-
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	-	28,970	28,970	-
Capital assets:				
Land . . . . .	1,216,642	7,500	1,224,142	-
Depreciable capital assets, net . . . . .	8,251,942	7,044,483	15,296,425	309,354
Total capital assets . . . . .	<u>9,468,584</u>	<u>7,051,983</u>	<u>16,520,567</u>	<u>309,354</u>
Total assets . . . . .	<u>24,203,557</u>	<u>7,725,703</u>	<u>31,929,260</u>	<u>424,449</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	250,657	9,529	260,186	-
Retainage payable . . . . .	-	175,001	175,001	-
Accrued wages and benefits . . . . .	188,720	4,725	193,445	1,525
Due to other governments . . . . .	292,268	5,534	297,802	1,394
Accrued interest payable . . . . .	1,811	31,632	33,443	-
Amount to be repaid to claimants . . . . .	32,382	-	32,382	-
Unearned revenue . . . . .	4,370,000	-	4,370,000	-
Long-term liabilities:				
Due within one year . . . . .	207,915	64,645	272,560	-
Due in more than one year . . . . .	1,115,794	7,090,202	8,205,996	-
Total liabilities . . . . .	<u>6,459,547</u>	<u>7,381,268</u>	<u>13,840,815</u>	<u>2,919</u>
<b>Net assets:</b>				
Invested in capital assets, net of related debt . . . . .	9,242,177	3,828,183	13,070,360	-
Restricted for:				
Capital projects . . . . .	486,702	-	486,702	-
Debt service . . . . .	167,663	-	167,663	-
Public works projects . . . . .	3,407,942	-	3,407,942	-
Human services programs . . . . .	624,663	-	624,663	-
Other purposes . . . . .	2,775,652	28,970	2,804,622	-
Unrestricted (deficit) . . . . .	<u>1,039,211</u>	<u>(3,512,718)</u>	<u>(2,473,507)</u>	<u>421,530</u>
Total net assets . . . . .	<u>\$ 17,744,010</u>	<u>\$ 344,435</u>	<u>\$ 18,088,445</u>	<u>\$ 421,530</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CARROLL COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007

	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Governmental Activities:</b>				
General government:				
Legislative and executive . . . . .	\$ 2,759,432	\$ 1,357,490	\$ 130	\$ -
Judicial . . . . .	1,036,871	278,452	-	-
Public safety . . . . .	2,437,072	423,143	253,276	-
Public works . . . . .	4,650,302	56,159	3,625,854	694,643
Health . . . . .	4,435,752	113,284	1,759,814	-
Human services . . . . .	6,122,275	811,511	4,542,214	-
Economic development and assistance . . . . .	370,866	-	40,000	-
Urban redevelopment and housing . . . . .	44,546	-	45,193	-
Other . . . . .	1,047,890	33,576	221,622	-
Interest and fiscal charges . . . . .	18,921	72,416	-	-
<b>Total governmental activities . . . . .</b>	<b>22,923,927</b>	<b>3,146,031</b>	<b>10,488,103</b>	<b>694,643</b>
<b>Business-Type Activities:</b>				
Sewer . . . . .	899,448	750,671	-	-
Sanitary Landfill . . . . .	4,420	-	-	-
<b>Total business-type activities . . . . .</b>	<b>903,868</b>	<b>750,671</b>	<b>-</b>	<b>-</b>
<b>Total primary government . . . . .</b>	<b>\$ 23,827,795</b>	<b>\$ 3,896,702</b>	<b>\$ 10,488,103</b>	<b>\$ 694,643</b>
<b>Component Unit:</b>				
Carroll Hills Industries, Inc. . . . .	\$ 514,408	\$ 557,026	\$ -	\$ -

**General Revenues:**

Property taxes levied for:

General fund . . . . .	
Human services - County Board of MRDD . . . . .	
Human services - County Home . . . . .	
Public works - Road Levy . . . . .	
Sales taxes . . . . .	
Grants and entitlements not restricted to specific programs . . . . .	
Investment earnings . . . . .	
Miscellaneous . . . . .	
<b>Total general revenues . . . . .</b>	
Transfers . . . . .	
Change in net assets . . . . .	
<b>Net assets at beginning of year . . . . .</b>	
<b>Net assets at end of year . . . . .</b>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Net (Expense) Revenue and Changes in Net Assets</b>			
<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-Type Activity</b>	<b>Total</b>	<b>Component Unit</b>
\$ (1,401,812)	\$ -	\$ (1,401,812)	\$ -
(758,419)	-	(758,419)	-
(1,760,653)	-	(1,760,653)	-
(273,646)	-	(273,646)	-
(2,562,654)	-	(2,562,654)	-
(768,550)	-	(768,550)	-
(330,866)	-	(330,866)	-
647	-	647	-
(792,692)	-	(792,692)	-
53,495	-	53,495	-
<u>(8,595,150)</u>	<u>-</u>	<u>(8,595,150)</u>	<u>-</u>
-	(148,777)	(148,777)	-
-	(4,420)	(4,420)	-
-	(153,197)	(153,197)	-
<u>(8,595,150)</u>	<u>(153,197)</u>	<u>(8,748,347)</u>	<u>-</u>
-	-	-	42,618
1,565,843	-	1,565,843	-
2,035,188	-	2,035,188	-
622,991	-	622,991	-
253,053	-	253,053	-
1,803,206	-	1,803,206	-
732,927	-	732,927	-
483,135	28,213	511,348	-
1,154,307	10,038	1,164,345	-
<u>8,650,650</u>	<u>38,251</u>	<u>8,688,901</u>	<u>-</u>
<u>(5,000)</u>	<u>5,000</u>	<u>-</u>	<u>-</u>
50,500	(109,946)	(59,446)	42,618
<u>17,693,510</u>	<u>454,381</u>	<u>18,147,891</u>	<u>378,912</u>
<u>\$ 17,744,010</u>	<u>\$ 344,435</u>	<u>\$ 18,088,445</u>	<u>\$ 421,530</u>

**CARROLL COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2007

	<u>General</u>	<u>Motor Vehicle and Gas Tax</u>	<u>County Board of MRDD</u>	<u>Public Assistance</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 753,155	\$ 1,373,122	\$ 1,575,741	\$ 374,143
Cash with fiscal and escrow agents . . . . .	50,766	-	-	-
Receivables (net of allowance for uncollectibles):				
Sales taxes . . . . .	280,803	-	-	-
Real estate and other taxes . . . . .	1,648,097	-	2,019,514	-
Accounts . . . . .	31,233	3,127	-	-
Special assessments . . . . .	-	-	-	-
Due from other governments . . . . .	421,162	1,835,111	190,186	183,647
Accrued interest . . . . .	7,096	-	-	-
Interfund loan receivable . . . . .	24,302	-	-	-
Advances to other funds . . . . .	21,960	-	-	-
Due from other funds . . . . .	772	-	-	-
Prepayments . . . . .	57,900	-	3,137	6,720
Materials and supplies inventory . . . . .	15,717	332,623	-	1,236
Total assets . . . . .	<u>\$ 3,312,963</u>	<u>\$ 3,543,983</u>	<u>\$ 3,788,578</u>	<u>\$ 565,746</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 47,226	\$ 18,330	\$ 33,146	\$ 68,349
Accrued wages and benefits . . . . .	47,419	28,810	49,043	25,277
Due to other governments . . . . .	86,654	36,619	59,508	45,123
Interfund loan payable . . . . .	-	-	-	-
Advances from other funds . . . . .	-	-	-	-
Due to other funds . . . . .	-	-	-	3,008
Deferred revenue . . . . .	371,944	1,228,339	269,763	-
Unearned revenue . . . . .	1,590,000	-	1,935,000	-
Amount to be repaid to claimants . . . . .	32,382	-	-	-
Total liabilities . . . . .	<u>2,175,625</u>	<u>1,312,098</u>	<u>2,346,460</u>	<u>141,757</u>
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	66,318	112,694	18,778	42,104
Reserved for prepayments . . . . .	57,900	-	3,137	6,720
Reserved for materials and supplies inventory . . . . .	15,717	332,623	-	1,236
Reserved for advances . . . . .	21,960	-	-	-
Reserved for debt service . . . . .	-	-	-	-
Unreserved, undesignated, reported in:				
General fund . . . . .	975,443	-	-	-
Special revenue funds . . . . .	-	1,786,568	1,420,203	373,929
Capital projects funds . . . . .	-	-	-	-
Total fund balances . . . . .	<u>1,137,338</u>	<u>2,231,885</u>	<u>1,442,118</u>	<u>423,989</u>
Total liabilities and fund balances . . . . .	<u>\$ 3,312,963</u>	<u>\$ 3,543,983</u>	<u>\$ 3,788,578</u>	<u>\$ 565,746</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>County Home</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 91,269	\$ 2,228,445	\$ 6,395,875
-	-	50,766
-	-	280,803
614,696	284,959	4,567,266
-	32,893	67,253
-	144,235	144,235
42,709	119,896	2,792,711
-	52	7,148
-	-	24,302
-	2,525	24,485
-	3,008	3,780
1,253	1,050	70,060
-	9,280	358,856
<u>\$ 749,927</u>	<u>\$ 2,826,343</u>	<u>\$ 14,787,540</u>
\$ 11,325	\$ 72,281	\$ 250,657
19,209	18,962	188,720
23,472	40,892	292,268
-	24,302	24,302
-	24,485	24,485
-	772	3,780
67,405	244,376	2,181,827
590,000	255,000	4,370,000
-	-	32,382
<u>711,411</u>	<u>681,070</u>	<u>7,368,421</u>
14,128	53,208	307,230
1,253	1,050	70,060
-	9,280	358,856
-	2,525	24,485
-	25,239	25,239
-	-	975,443
23,135	1,567,269	5,171,104
-	486,702	486,702
<u>38,516</u>	<u>2,145,273</u>	<u>7,419,119</u>
<u>\$ 749,927</u>	<u>\$ 2,826,343</u>	<u>\$ 14,787,540</u>

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**CARROLL COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2007

<b>Total governmental fund balances</b>		\$ 7,419,119
<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.		9,468,584
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes	\$ 197,266	
Intergovernmental	1,840,326	
Special assessment	<u>144,235</u>	
Total		2,181,827
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.		(1,811)
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	(70,000)	
Special assessment bonds	(14,000)	
OWPC loan payable	(4,884)	
Compensated absences	(1,057,302)	
Capital leases payable	(137,523)	
Judgements payable	<u>(40,000)</u>	
Total		<u>(1,323,709)</u>
<b>Net assets of governmental activities</b>		<u><u>\$ 17,744,010</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CARROLL COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>General</u>	<u>Motor Vehicle and Gas Tax</u>	<u>County Board of MRDD</u>	<u>Public Assistance</u>
<b>Revenues:</b>				
Property taxes . . . . .	\$ 1,552,975	\$ -	\$ 2,016,389	\$ -
Sales taxes . . . . .	1,803,206	-	-	-
Charges for services . . . . .	1,043,231	-	-	-
Licenses and permits . . . . .	2,294	-	-	-
Fines and forfeitures . . . . .	93,509	56,159	-	-
Intergovernmental . . . . .	737,958	3,630,890	1,663,356	3,230,477
Special assessments . . . . .	-	-	-	-
Investment income . . . . .	478,378	-	-	-
Rental income . . . . .	22,590	-	-	-
Other . . . . .	141,356	9,535	884,259	1,540
Total revenues . . . . .	<u>5,875,497</u>	<u>3,696,584</u>	<u>4,564,004</u>	<u>3,232,017</u>
<b>Expenditures:</b>				
Current:				
General government:				
Legislative and executive . . . . .	2,131,295	-	-	-
Judicial . . . . .	973,395	-	-	-
Public safety . . . . .	1,629,174	-	-	-
Public works . . . . .	30,953	3,063,078	-	-
Health . . . . .	40,867	-	4,198,604	-
Human services . . . . .	208,837	-	-	3,204,306
Economic development and assistance . . . . .	29,000	-	-	-
Urban redevelopment and housing . . . . .	-	-	-	-
Other . . . . .	671,542	-	-	-
Capital outlay . . . . .	126,420	-	-	-
Debt service:				
Principal retirement . . . . .	68,300	52,090	4,349	-
Interest and fiscal charges . . . . .	4,576	4,937	770	-
Total expenditures . . . . .	<u>5,914,359</u>	<u>3,120,105</u>	<u>4,203,723</u>	<u>3,204,306</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(38,862)</u>	<u>576,479</u>	<u>360,281</u>	<u>27,711</u>
<b>Other financing sources (uses):</b>				
Capital lease transaction . . . . .	126,420	-	-	-
Transfers in . . . . .	-	-	-	-
Transfers out . . . . .	(37,960)	-	(300,000)	-
Total other financing sources (uses) . . . . .	<u>88,460</u>	<u>-</u>	<u>(300,000)</u>	<u>-</u>
Net change in fund balances . . . . .	49,598	576,479	60,281	27,711
<b>Fund balances at beginning of year . . . . .</b>	<u>1,087,740</u>	<u>1,655,406</u>	<u>1,381,837</u>	<u>396,278</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 1,137,338</u>	<u>\$ 2,231,885</u>	<u>\$ 1,442,118</u>	<u>\$ 423,989</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>County Home</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 617,521	\$ 246,417	\$ 4,433,302
-	-	1,803,206
712,711	1,008,274	2,764,216
-	3,270	5,564
-	39,659	189,327
75,754	3,100,830	12,439,265
-	8,069	8,069
-	9,917	488,295
-	24,982	47,572
2,195	247,340	1,286,225
<u>1,408,181</u>	<u>4,688,758</u>	<u>23,465,041</u>
-	521,355	2,652,650
-	26,847	1,000,242
-	820,290	2,449,464
-	272,446	3,366,477
-	104,003	4,343,474
1,425,618	1,332,871	6,171,632
-	117,938	146,938
-	44,546	44,546
-	379,877	1,051,419
-	758,636	885,056
-	36,638	161,377
-	8,538	18,821
<u>1,425,618</u>	<u>4,423,985</u>	<u>22,292,096</u>
<u>(17,437)</u>	<u>264,773</u>	<u>1,172,945</u>
-	20,737	147,157
-	332,960	332,960
-	-	(337,960)
<u>-</u>	<u>353,697</u>	<u>142,157</u>
(17,437)	618,470	1,315,102
55,953	1,526,803	6,104,017
<u>\$ 38,516</u>	<u>\$ 2,145,273</u>	<u>\$ 7,419,119</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, 2007

**Net change in fund balances - total governmental funds** \$ 1,315,102

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

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

Capital asset additions	\$	1,280,406	
Current year depreciation		(1,846,081)	
Total			(565,675)

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.			(225,179)
--	--	--	-----------

Capital lease transactions are other financing sources in the governmental funds, but increase liabilities in governmental activities.			(147,157)
--	--	--	-----------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Property taxes		43,773	
Intergovernmental		(568,752)	
Special assessments		39,365	
Total			(485,614)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement net assets.			161,377
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In the statement of activities, interest is accrued on outstanding outstanding bonds and loans, whereas in governmental funds, an interest expenditure is reported when due.			(100)
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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.			(2,254)

**Change in net assets of governmental activities** \$ 50,500

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, 2007

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Property taxes . . . . .	\$ 1,450,490	\$ 1,543,036	\$ 1,544,836	\$ 1,800
Sales taxes. . . . .	1,707,685	1,816,646	1,818,764	2,118
Charges for services. . . . .	989,411	1,052,542	1,053,769	1,227
Licenses and permits . . . . .	2,154	2,291	2,294	3
Fines and forfeitures . . . . .	87,361	92,936	93,044	108
Intergovernmental. . . . .	715,169	760,801	761,688	887
Investment income . . . . .	462,459	491,967	492,541	574
Rental income . . . . .	21,210	22,564	22,590	26
Other . . . . .	238,827	254,067	254,363	296
Total revenues. . . . .	<u>5,674,766</u>	<u>6,036,850</u>	<u>6,043,889</u>	<u>7,039</u>
<b>Expenditures:</b>				
Current:				
General government:				
Legislative and executive . . . . .	2,255,478	2,255,478	2,182,971	72,507
Judicial. . . . .	1,010,633	1,010,633	978,145	32,488
Public safety . . . . .	1,791,605	1,791,605	1,734,011	57,594
Public works . . . . .	33,602	33,602	32,522	1,080
Health . . . . .	42,840	42,840	41,463	1,377
Human services . . . . .	212,148	212,148	205,328	6,820
Economic development and assistance . . . . .	30,622	30,622	29,638	984
Other . . . . .	715,391	715,391	692,394	22,997
Total expenditures . . . . .	<u>6,092,319</u>	<u>6,092,319</u>	<u>5,896,472</u>	<u>195,847</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(417,553)</u>	<u>(55,469)</u>	<u>147,417</u>	<u>202,886</u>
<b>Other financing sources (uses):</b>				
Transfers out . . . . .	(37,960)	(37,960)	(37,960)	-
Advances in . . . . .	75,234	80,128	80,128	-
Advances out . . . . .	<u>(24,302)</u>	<u>(24,302)</u>	<u>(24,302)</u>	<u>-</u>
Total other financing sources (uses) . . . . .	<u>12,972</u>	<u>17,866</u>	<u>17,866</u>	<u>-</u>
Net change in fund balance . . . . .	(404,581)	(37,603)	165,283	202,886
<b>Fund balance at beginning of year. . . . .</b>	277,003	277,003	277,003	-
<b>Prior year encumbrances appropriated . . . . .</b>	<u>144,299</u>	<u>144,299</u>	<u>144,299</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 16,721</u>	<u>\$ 383,699</u>	<u>\$ 586,585</u>	<u>\$ 202,886</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CARROLL COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 MOTOR VEHICLE AND GAS TAX  
 FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Fines and forfeitures . . . . .	\$ 56,131	\$ 56,131	\$ 56,532	\$ 401
Intergovernmental . . . . .	3,684,902	3,684,902	3,711,238	26,336
Other . . . . .	<u>9,467</u>	<u>9,467</u>	<u>9,535</u>	<u>68</u>
Total revenues . . . . .	<u>3,750,500</u>	<u>3,750,500</u>	<u>3,777,305</u>	<u>26,805</u>
<b>Expenditures:</b>				
Current:				
Public works . . . . .	<u>3,685,378</u>	<u>3,685,378</u>	<u>3,347,985</u>	<u>337,393</u>
Total expenditures . . . . .	<u>3,685,378</u>	<u>3,685,378</u>	<u>3,347,985</u>	<u>337,393</u>
Net change in fund balance . . . . .	65,122	65,122	429,320	364,198
<b>Fund balance at beginning of year . . . . .</b>	761,203	761,203	761,203	-
<b>Prior year encumbrances appropriated . . . . .</b>	<u>52,700</u>	<u>52,700</u>	<u>52,700</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 879,025</u>	<u>\$ 879,025</u>	<u>\$ 1,243,223</u>	<u>\$ 364,198</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CARROLL COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 COUNTY BOARD OF MRDD  
 FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Property taxes . . . . .	\$ 1,656,394	\$ 2,004,482	\$ 2,004,483	\$ 1
Intergovernmental . . . . .	1,374,276	1,663,077	1,663,078	1
Other . . . . .	730,703	884,259	884,259	-
Total revenues . . . . .	<u>3,761,373</u>	<u>4,551,818</u>	<u>4,551,820</u>	<u>2</u>
<b>Expenditures:</b>				
Current:				
Health . . . . .	<u>3,957,361</u>	<u>4,674,028</u>	<u>4,237,862</u>	<u>436,166</u>
Total expenditures . . . . .	<u>3,957,361</u>	<u>4,674,028</u>	<u>4,237,862</u>	<u>436,166</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(195,988)</u>	<u>(122,210)</u>	<u>313,958</u>	<u>436,168</u>
<b>Other financing uses:</b>				
Transfers out . . . . .	<u>(285,976)</u>	<u>(337,236)</u>	<u>(300,000)</u>	<u>37,236</u>
Total other financing uses . . . . .	<u>(285,976)</u>	<u>(337,236)</u>	<u>(300,000)</u>	<u>37,236</u>
Net change in fund balance. . . . .	(481,964)	(459,446)	13,958	473,404
<b>Fund balance at beginning of year . . . . .</b>	1,408,371	1,408,371	1,408,371	-
<b>Prior year encumbrances appropriated . . . . .</b>	<u>34,956</u>	<u>34,956</u>	<u>34,956</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 961,363</u>	<u>\$ 983,881</u>	<u>\$ 1,457,285</u>	<u>\$ 473,404</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  
 FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental . . . . .	\$ 3,337,866	\$ 3,151,430	\$ 3,162,190	\$ 10,760
Other . . . . .	1,626	1,535	1,540	5
<b>Total revenues . . . . .</b>	<u>3,563,966</u>	<u>3,365,625</u>	<u>3,376,390</u>	<u>10,765</u>
<b>Expenditures:</b>				
Current:				
Human services . . . . .	3,483,271	3,495,085	3,342,037	153,048
<b>Total expenditures . . . . .</b>	<u>3,483,271</u>	<u>3,495,085</u>	<u>3,342,037</u>	<u>153,048</u>
Net change in fund balance. . . . .	80,695	(129,460)	34,353	163,813
<b>Fund balance at beginning of year . . . . .</b>	288,089	288,089	288,089	-
<b>Prior year encumbrances appropriated . . . . .</b>	<u>136,494</u>	<u>136,494</u>	<u>136,494</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 505,278</u>	<u>\$ 295,123</u>	<u>\$ 458,936</u>	<u>\$ 163,813</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CARROLL COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 COUNTY HOME  
 FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Property taxes . . . . .	\$ 580,000	\$ 614,061	\$ 614,061	\$ -
Charges for services . . . . .	655,077	718,054	718,957	903
Intergovernmental . . . . .	69,023	75,659	75,754	95
Other . . . . .	<u>2,000</u>	<u>2,192</u>	<u>2,195</u>	<u>3</u>
Total revenues . . . . .	<u>1,306,100</u>	<u>1,409,966</u>	<u>1,410,967</u>	<u>1,001</u>
<b>Expenditures:</b>				
Current:				
Human services . . . . .	<u>1,390,542</u>	<u>1,484,292</u>	<u>1,452,262</u>	<u>32,030</u>
Total expenditures . . . . .	<u>1,390,542</u>	<u>1,484,292</u>	<u>1,452,262</u>	<u>32,030</u>
Net change in fund balance . . . . .	(84,442)	(74,326)	(41,295)	33,031
<b>Fund balance at beginning of year . . . . .</b>	59,594	59,594	59,594	-
<b>Prior year encumbrances appropriated . . . . .</b>	<u>26,999</u>	<u>26,999</u>	<u>26,999</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 2,151</u>	<u>\$ 12,267</u>	<u>\$ 45,298</u>	<u>\$ 33,031</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CARROLL COUNTY, OHIO**

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2007

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Sanitary Landfill</u>	<u>Total</u>
<b>Assets:</b>			
Current assets:			
Equity in pooled cash and cash equivalents . . . . .	\$ 588,644	\$ 1,577	\$ 590,221
Receivables (net of allowance for uncollectibles):			
Accounts . . . . .	54,342	-	54,342
Accrued interest . . . . .	187	-	187
Total current assets . . . . .	<u>643,173</u>	<u>1,577</u>	<u>644,750</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 . . . . .	7,044,483	-	7,044,483
Total capital assets . . . . .	<u>7,051,983</u>	<u>-</u>	<u>7,051,983</u>
Total noncurrent assets . . . . .	<u>7,080,953</u>	<u>-</u>	<u>7,080,953</u>
Total assets . . . . .	<u>7,724,126</u>	<u>1,577</u>	<u>7,725,703</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable . . . . .	9,529	-	9,529
Retainage payable . . . . .	175,001	-	175,001
Accrued wages and benefits . . . . .	4,725	-	4,725
Due to other governments . . . . .	5,534	-	5,534
Accrued interest payable . . . . .	31,632	-	31,632
Current portion of loans payable . . . . .	2,300	-	2,300
Current portion of revenue bonds payable . . . . .	51,800	-	51,800
Current portion of compensated absences . . . . .	10,545	-	10,545
Total current liabilities . . . . .	<u>291,066</u>	<u>-</u>	<u>291,066</u>
Long-term liabilities:			
Compensated absences . . . . .	5,019	-	5,019
Revenue bonds payable . . . . .	2,980,500	-	2,980,500
Loan payable . . . . .	189,200	-	189,200
Estimated accrued liability for landfill closure and post closure costs . . . . .	-	3,915,483	3,915,483
Total long-term liabilities . . . . .	<u>3,174,719</u>	<u>3,915,483</u>	<u>7,090,202</u>
Total liabilities . . . . .	<u>3,465,785</u>	<u>3,915,483</u>	<u>7,381,268</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt . . . . .	3,828,183	-	3,828,183
Restricted . . . . .	28,970	-	28,970
Unrestricted (deficit) . . . . .	401,188	(3,913,906)	(3,512,718)
Total net assets (deficit) . . . . .	<u>\$ 4,258,341</u>	<u>\$ (3,913,906)</u>	<u>\$ 344,435</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CARROLL COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Sanitary Landfill</u>	<u>Total</u>
<b>Operating revenues:</b>			
Charges for services . . . . .	\$ 750,671	\$ -	\$ 750,671
Other . . . . .	10,038	-	10,038
Total operating revenues . . . . .	<u>760,709</u>	<u>-</u>	<u>760,709</u>
<b>Operating expenses:</b>			
Personal services . . . . .	268,642	-	268,642
Contract services . . . . .	91,836	4,420	96,256
Materials and supplies . . . . .	74,452	-	74,452
Depreciation . . . . .	274,219	-	274,219
Other . . . . .	41,511	-	41,511
Total operating expenses. . . . .	<u>750,660</u>	<u>4,420</u>	<u>755,080</u>
Operating income (loss) . . . . .	<u>10,049</u>	<u>(4,420)</u>	<u>5,629</u>
<b>Nonoperating revenues (expenses):</b>			
Interest revenue . . . . .	28,213	-	28,213
Interest expense and fiscal charges . . . . .	(148,788)	-	(148,788)
Total nonoperating revenues (expenses). . . . .	<u>(120,575)</u>	<u>-</u>	<u>(120,575)</u>
Loss before transfers . . . . .	(110,526)	(4,420)	(114,946)
Transfers in. . . . .	<u>-</u>	<u>5,000</u>	<u>5,000</u>
Change in net assets . . . . .	(110,526)	580	(109,946)
<b>Net assets (deficit) at beginning of year. . . . .</b>	<u>4,368,867</u>	<u>(3,914,486)</u>	<u>454,381</u>
<b>Net assets (deficit) at end of year . . . . .</b>	<u>\$ 4,258,341</u>	<u>\$ (3,913,906)</u>	<u>\$ 344,435</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CARROLL COUNTY, OHIO**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Sewer</b>	<b>Sanitary Landfill</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>			
Cash received from sales/service charges . . . . .	\$ 748,984	\$ -	\$ 748,984
Cash received from other operating revenue . . . . .	10,038	-	10,038
Cash payments for personal services . . . . .	(259,538)	-	(259,538)
Cash payments for contract services . . . . .	(94,091)	(5,646)	(99,737)
Cash payments for materials and supplies . . . . .	(72,341)	-	(72,341)
Cash payments for other expenses. . . . .	(41,511)	-	(41,511)
Net cash provided by (used in) operating activities. . . . .	<u>291,541</u>	<u>(5,646)</u>	<u>285,895</u>
<b>Cash flows from noncapital financing activities:</b>			
Transfers in . . . . .	-	5,000	5,000
Net cash provided by noncapital financing activities. . . . .	<u>-</u>	<u>5,000</u>	<u>5,000</u>
<b>Cash flows from capital and related financing activities:</b>			
Principal retirement on revenue bonds . . . . .	(50,300)	-	(50,300)
Principal retirement on loans . . . . .	(54,200)	-	(54,200)
Acquisition of capital asset . . . . .	(57,206)	-	(57,206)
Interest and fiscal charges. . . . .	(150,164)	-	(150,164)
Net cash used in capital and related financing activities . . . . .	<u>(311,870)</u>	<u>-</u>	<u>(311,870)</u>
<b>Cash flows from investing activities:</b>			
Cash received from interest. . . . .	28,196	-	28,196
Net cash provided by investing activities . . . . .	<u>28,196</u>	<u>-</u>	<u>28,196</u>
Net increase (decrease) in cash and cash equivalents. . . . .	7,867	(646)	7,221
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<u>609,747</u>	<u>2,223</u>	<u>611,970</u>
<b>Cash and cash equivalents at end of year . . . . .</b>	<u>\$ 617,614</u>	<u>\$ 1,577</u>	<u>\$ 619,191</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>			
Operating income (loss) . . . . .	\$ 10,049	\$ (4,420)	\$ 5,629
Adjustments:			
Depreciation . . . . .	274,219	-	274,219
Changes in assets and liabilities:			
Increase in accounts receivable . . . . .	(1,687)	-	(1,687)
Decrease in accounts payable. . . . .	(144)	(1,226)	(1,370)
Increase in accrued wages and benefits . . . . .	830	-	830
Decrease in due to other governments . . . . .	(79)	-	(79)
Increase in compensated absences payable . . . . .	8,353	-	8,353
Net cash provided by (used in) operating activities. . . . .	<u>\$ 291,541</u>	<u>\$ (5,646)</u>	<u>\$ 285,895</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CARROLL COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2007

		<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$	1,719,833
Cash with fiscal and escrow agents. . . . .		171,964
<b>Receivables:</b>		
Real estate and other taxes . . . . .		18,302,910
Accounts . . . . .		28,910
Due from other governments . . . . .		1,488,308
		1,488,308
Total assets . . . . .	\$	21,711,925
 <b>Liabilities:</b>		
Accounts payable . . . . .	\$	611
Accrued wages and benefits . . . . .		5,486
Due to other governments . . . . .		736,049
Deposits held and due to others . . . . .		21,029,779
		21,029,779
Total liabilities . . . . .	\$	21,771,925

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, 2007

#### NOTE 1 - DESCRIPTION OF THE COUNTY

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

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

The basic financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The County also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The County has the option to also apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise funds, subject to this same limitation. The County has elected not to apply these FASB Statements and Interpretations.

The most significant of the County's accounting policies are described below.

##### A. Reporting Entity

The County's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" 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 PCUs have been reflected in the accompanying basic financial statements as:

##### *BLENDED COMPONENT UNITS*

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

## CARROLL COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

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

#### *DISCRETELY PRESENTED COMPONENT UNIT*

Carroll Hills Industries, Inc. (Industries) - The Industries is a legally separate, nonprofit corporation, served by a self-appointing board of trustees. The Industries, under a contractual agreement with the Carroll County Board of Mental Retardation and Developmental Disabilities (MRDD), provides sheltered employment for adults with mental retardation or developmental disabilities in the County. The Carroll County Board of MRDD provides the Industries certain personnel, salaries, transportation, equipment (except that used directly in the production of goods or rendering of services), staff to administer and supervise training programs, and other funds as necessary for the operation of the Industries. Based on the significant services and resources provided by the County to the Industries and the Industries sole purpose of providing assistance to mentally retarded or developmentally disabled adults of the County, the Industries is reflected as a component unit of the County. It is reported separately to emphasize that it is legally separate from the County. Separately issued financial statements can be obtained from the Carroll Hills Industries, Inc., Carrollton, Ohio.

#### *RELATED ORGANIZATIONS*

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

**CARROLL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**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 PCUs have been excluded from the County's basic financial statements, but the funds held on behalf of these PCUs in the County Treasury are included in the agency funds.

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

Information in the notes to the 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 forty-one counties in Ohio. CORSA was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage losses and pay all contributions necessary for the specified insurance coverages provided by CORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

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

## CARROLL COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

#### 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 2007, the County contributed \$188,072 to the Attention System. Complete financial statements for the Attention System can be obtained from their administrative office on County Road 24 in Stryker, Ohio.

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

The plan for the Solid Waste District has been in effect for approximately four years. The committee has thus far been financed through a portion of the tipping/disposal fees from the landfills, as well as from grant monies. Complete financial statements for the Solid Waste District can be obtained from their office located at 618B Canton Road, Carrollton, Ohio 44615.

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

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

## CARROLL COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

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

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

#### **B. Basis of Presentation**

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

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

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

#### **C. Fund Accounting**

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

## CARROLL COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

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

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

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

*Motor vehicle and gas tax* - This fund accounts for monies received by the County for State gasoline tax and vehicle registration fees used for County road and bridge maintenance, construction and improvements.

*County board of mental retardation and developmentally disabled (MRDD)* - This fund accounts for the operation of a school and the costs of administering a workshop for the mentally retarded and developmentally disabled. Revenue sources include a countywide property tax levy and federal and State grants.

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

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

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

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

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

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

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

## CARROLL COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

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

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

#### **D. Measurement Focus**

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

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

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

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

## CARROLL COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

#### 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. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from all other nonexchange transactions must also be available before it can be recognized.

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

*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, 2007, but which were levied to finance year 2008 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as unearned revenue. Special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2007, are recorded as deferred revenue.

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

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

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

#### **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, 2007

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

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

***Tax Budget*** - A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. All funds, except agency funds, are legally required to be budgeted. The expressed purpose of the Tax Budget is to reflect the need for existing (or increased) tax rates.

***Estimated Resources*** - The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews revenue estimates. The Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources, which states the projected revenue of each fund.

On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31. Further amendments may be made during the year if the County Auditor determines that revenue to be collected will be greater than or less than the prior estimates and the Budget Commission finds the revised estimates to be reasonable. The amounts set forth in the budgetary statements represent estimates from the original and final amended certificate issued during 2007.

***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 2007 are included in the final budget amounts in the budget-to-actual comparisons.

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

**G. Cash and Investments**

To improve cash management, cash received by the County is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the County’s records. Each fund’s interest in the pool is presented as “Equity in pooled cash and cash equivalents” on the basic financial statements.

During fiscal year 2007, investments were limited to nonnegotiable certificates of deposit, money market savings accounts and a repurchase agreement. Investments in nonparticipating interest-earning investment contracts, such as repurchase agreements, nonnegotiable certificates of deposit, and money market savings accounts are reported at cost.

## CARROLL COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

#### 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 fiscal 2007 amounted to \$478,378 which includes \$442,156 assigned from other County funds.

The County has segregated bank accounts for monies held separate from the County's central bank account. These interest bearing depository accounts are presented on the financial statements sheet as "Cash with fiscal and escrow agents" since they are not required to be deposited into the County treasury.

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

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

#### **H. Inventories of Materials and Supplies**

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

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

Inventory consists of expendable supplies held for consumption.

#### **I. Capital Assets**

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

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, 2007

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

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

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

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

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

**J. Compensated Absences**

Compensated absences of the County consist of vacation leave and sick leave to the extent that 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. A liability for sick leave is based on the sick leave accumulated at December 31, 2007, 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, 2007, 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, 2007

#### 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. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2007, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

#### **L. Accrued Liabilities and Long-term Obligations**

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments 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.

#### **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.

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

**CARROLL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

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

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

**N. Fund Balance Reserves**

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

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

**O. Operating Revenues and Expenses**

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

**P. Restricted Assets**

Certain cash and cash equivalents are classified as restricted cash on the financial statements because their use is limited by debt covenants. Restricted cash balances have been reported also as restricted net assets since it is not available for general operating use.

**Q. Contributions of Capital**

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

**R. Net Assets**

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

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

**CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

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

**S. Estimates**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For 2007, the County has implemented GASB Statement No. 48 "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues". GASB Statement No. 48 established criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the County; however, additional disclosure related to revenues pledged for the repayment of revenue bonds has been provided in Note 12.

**B. Deficit Fund Balances/Net Assets**

The following funds had deficit fund balances/net assets as of December 31, 2007:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
School resource officer	\$5,960
EMA	8,106
Get a grip program	249
Indigent guardianship	7
Byrne grant	15,960
ODNR community development grant	559
Caravan/County transit grant	1,418
VOCA	1,554
 <u>Major enterprise fund</u>	
Landfill	3,913,906

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.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

## CARROLL COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

#### NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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; or any book entry, zero-coupon United States treasury security that is a direct obligation of the United States.
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly with the County;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above and repurchase agreements secured by such obligations, provided that these investments are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange similar securities or cash, equal value for equal value;
8. Up to twenty-five percent of the County's average portfolio in either of the following:
  - a. Commercial paper notes in entities incorporated under the laws of Ohio, or any other State, that have assets exceeding five hundred million dollars, which are rated in the highest classification established by two nationally recognized standard rating services, which do not exceed ten percent of the value of the outstanding commercial paper of the issuing corporation and mature within 270 days after purchase.
  - b. Banker's acceptances eligible for purchase by the Federal Reserve System and which mature within 180 days after purchase.

## CARROLL COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

#### NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

9. Fifteen percent of the County's total average portfolio in notes issued by U.S. corporations or by depository institutions that are doing business under authority granted by U.S. provided that the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase.
10. No-load money market mutual fund rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by the federal government agency or instrumentality, and/or highly rate commercial paper.
11. One percent of the County's average portfolio in debt interest rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government.

Reverse repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Other than corporate notes, commercial paper, and banker acceptances, an investment must mature within five years from the date of purchase unless matched to 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 of the Treasurer or qualified trustee 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, 2007, the carrying amount of all County deposits was \$7,957,629, exclusive of the \$1,000,000 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, 2007, \$7,884,446 of the County's bank balance of \$8,633,399 was exposed to custodial risk as discussed below, while \$748,953 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, 2007

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**B. Investments**

As of December 31, 2007, the County had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
Repurchase Agreement	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>

*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.

*Credit Risk:* The federal agency securities that underlie the repurchase agreement were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

*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 repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the County.

*Concentration of Credit Risk:* The County 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, 2007:

Repurchase Agreement	<u>\$ 1,000,000</u>	<u>100%</u>
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**C. Reconciliation of Cash and Investment to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of December 31, 2007:

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	\$ 7,957,629
Investments	<u>1,000,000</u>
Total	<u>\$ 8,957,629</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 6,446,641
Business type activities	619,191
Agency funds	<u>1,891,797</u>
Total	<u>\$ 8,957,629</u>

**CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**D. Component Unit**

At December 31, 2007, the carrying amount of the component unit's demand deposits was \$91,979. 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, 2007. 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, 2007, consisted of the following, as reported on the fund financial statements:

Transfers to nonmajor governmental funds from:		
General fund		\$ 32,960
County board of MRDD		300,000
Transfers to landfill fund from:		
General fund		5,000

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.

- B.** Short term interfund loans consisted of the following at December 31, 2007, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 24,302

- C.** Long-term advances to and from other funds at December 31, 2007, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 21,960
Nonmajor governmental	Nonmajor governmental	2,525

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".

**CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

D. Amounts “due to/from other funds” consisted of the following at December 31, 2007, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 772
Nonmajor governmental funds	Public assistance	3,008

Amounts due from/to other funds represent amounts owed between funds for goods or services provided. The balances resulted from the time lag between the dates that payments between the funds are made. Amounts due from/to other funds between governmental funds are eliminated for reporting on the statement of net assets.

**NOTE 6 - PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the County. Real property taxes and public utility taxes are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by state law at 35% of appraised market value. Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at 88% of true value for taxable transmission and distribution property and 25% of true value for all other taxable property.

Tangible personal property tax revenues received in 2007 (other than public utility property) represent the collection of 2007 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of December 31, 2006. In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Tangible personal property tax is being phased out - the assessment percentage for property, including inventory, is 12.5% for 2007. This percentage will be reduced to 6.25% for 2008 and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the County due to the phasing out of the tax. In calendar years 2006-2010, the County will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The assessed value upon which the 2007 taxes were collected was \$535,160,580. The full tax rate for all County operations applied to real property for fiscal year ended December 31, 2007, was \$11.70 per \$1,000 of assessed valuation.

**CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

**NOTE 6 - PROPERTY TAXES - (Continued)**

The assessed values of real and tangible personal property upon which 2007 property tax receipts were based are as follows:

Agricultural/residential real estate property	\$ 437,110,050
Commercial/industrial/mineral real estate property	56,990,140
Tangible personal property	<u>41,060,390</u>
Total assessed value	<u><u>\$ 535,160,580</u></u>

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is due March 1 and the remainder payable June 20. Under certain circumstances, State statute permits earlier or later payment dates to be established.

The County Treasurer collects property tax on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County. Tangible personal property taxes for unincorporated and single county businesses are due semi-annually, with the first payment due May 10 and the remainder payable by September 20. Due dates are normally extended an additional 30 days. The due date for the entire tax for inter-county businesses is September 20 or the extended date. The first \$10,000 of taxable value is exempt from taxation for each business by state law.

The listing date is either December 31 or the end of their fiscal year (for incorporated businesses in operation more than one year). Since each business must file a return to the County Auditor, the tangible personal taxes are not known until all the returns are received.

"Real estate and other taxes" receivable represents delinquent real and tangible personal property and public utility taxes outstanding as of December 31 (net of allowances for estimated uncollectibles) and real and public utility taxes which were measurable as of the year end.

Since the current levy is not intended to finance 2007 operations, the receivable is offset by a credit to "unearned revenue". The delinquent real, public utility and tangible personal property taxes that will become available to the County within the first 31 days of 2008 are shown as 2007 revenue; the remainder is shown as "deferred revenue". The eventual collection of significantly all real and public utility property taxes (both current and delinquent) is reasonably assured due to the County's ability to force foreclosure of the properties on which the taxes are levied.

**NOTE 7 - PERMISSIVE SALES AND USE TAX**

In 1985, the County Commissioners by resolution imposed a one percent tax on all retail sales, except sales of motor vehicles, made in the County, and on the storage, use, or consumption in the County of tangible personal property, including automobiles, not subject to the sales tax. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of the month of collection.

The State Auditor then has five days in which to draw the warrant payable to the County. In 2001, this tax was approved for an additional five years by the voters of the County.

**CARROLL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**NOTE 7 - PERMISSIVE SALES AND USE TAX – (Continued)**

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 2007 and amounts that are measurable and available at year-end are accrued as revenue. Sales and use tax revenue for 2007 amounted to \$1,803,206.

**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2007, consisted of taxes, accounts (billings for user charged services), accrued interest, special assessments and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as “Due from other governments” on the financial statements. Receivables have been recorded to the extent that they are measurable at December 31, 2007. A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental Activities:**

Sales taxes	\$ 280,803
Real estate and other taxes	4,567,266
Accounts	67,253
Due from other governments	2,792,711
Special assessments	144,235
Accrued interest	7,148

**Business-Type Activities:**

Accounts	54,342
Accrued interest	187

**CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended December 31, 2007, was as follows:

	Balance			Balance
<b><u>Governmental Activities:</u></b>	<u>12/31/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>12/31/07</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,216,642	\$ -	\$ -	\$ 1,216,642
Construction in progress	219,176	-	(219,176)	-
Total capital assets, not being depreciated	<u>1,435,818</u>	<u>-</u>	<u>(219,176)</u>	<u>1,216,642</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	211,084	-	-	211,084
Building improvements	12,201,759	24,440	(2,234)	12,223,965
Furniture and equipment	3,668,047	222,629	(71,720)	3,818,956
Vehicles	3,888,272	261,512	(38,344)	4,111,440
Infrastructure	25,377,368	771,825	-	26,149,193
Total capital assets, being depreciated	<u>45,346,530</u>	<u>1,280,406</u>	<u>(112,298)</u>	<u>46,514,638</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(195,711)	(2,479)	-	(198,190)
Building and improvements	(10,964,613)	(102,916)	1,897	(11,065,632)
Furniture and equipment	(2,208,826)	(377,103)	66,054	(2,519,875)
Vehicles	(2,947,010)	(341,013)	38,344	(3,249,679)
Infrastructure	(20,206,750)	(1,022,570)	-	(21,229,320)
Total accumulated depreciation	<u>(36,522,910)</u>	<u>(1,846,081)</u>	<u>106,295</u>	<u>(38,262,696)</u>
Total capital assets, being depreciated net	<u>8,823,620</u>	<u>(565,675)</u>	<u>(6,003)</u>	<u>8,251,942</u>
Governmental activities capital assets, net	<u>\$ 10,259,438</u>	<u>\$ (565,675)</u>	<u>\$(225,179)</u>	<u>\$ 9,468,584</u>

**CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

**NOTE 9 - CAPITAL ASSETS - (Continued)**

<b><u>Business-Type Activities:</u></b>	<u>Balance</u> 12/31/06	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> 12/31/07
<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	445,221	-	-	445,221
Machinery and equipment	751,044	57,206	(2,500)	805,750
Sewer lines	<u>9,997,708</u>	<u>-</u>	<u>-</u>	<u>9,997,708</u>
Total capital assets, being depreciated	<u>11,193,973</u>	<u>57,206</u>	<u>(2,500)</u>	<u>11,248,679</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(294,415)	-	-	(294,415)
Machinery and equipment	(489,366)	(61,555)	2,500	(548,421)
Sewer lines	<u>(3,148,696)</u>	<u>(212,664)</u>	<u>-</u>	<u>(3,361,360)</u>
Total accumulated depreciation	<u>(3,932,477)</u>	<u>(274,219)</u>	<u>2,500</u>	<u>(4,204,196)</u>
Total capital assets, being depreciated net	<u>7,261,496</u>	<u>(217,013)</u>	<u>-</u>	<u>7,044,483</u>
Business-type activities capital assets, net	<u>\$ 7,268,996</u>	<u>\$ (217,013)</u>	<u>\$ -</u>	<u>\$ 7,051,983</u>

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

Governmental activities:	
Legislative and executive	\$ 178,702
Judicial	20,495
Public safety	133,395
Public works	1,271,256
Health	133,536
Human services	70,383
Economic development	5,375
Other	<u>32,939</u>
Total depreciation expense - governmental activities	<u>\$1,846,081</u>
Business-type activities	
Sewer	<u>\$ 274,219</u>
Total depreciation expense - business-type activities	<u>\$ 274,219</u>

**CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

**NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE**

The County entered has capitalized leases for various equipment. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease 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 \$356,901. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2007 totaled \$63,300 in the general fund, \$4,349 in the MRDD fund and \$9,638 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, 2007:

<u>Year Ending December 31</u>	<u>Amount</u>
2008	\$ 107,878
2009	29,608
2010	5,870
2011	4,676
2012	<u>810</u>
Total minimum lease payment	148,842
Less: amount representing interest	<u>(11,319)</u>
Present value of minimum lease payments	<u>\$ 137,523</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, 2007 benefits for vacation leave for governmental fund type employees totaled \$821,454 and benefits for sick leave totaled \$235,848. For proprietary fund types, benefits for vacation leave totaled \$10,545 and benefits for sick leave totaled \$5,019.

**CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

**NOTE 12 - LONG-TERM OBLIGATIONS**

**A. Governmental Activities Long-Term Obligations**

The following activity occurred in the County's governmental long-term obligations during 2007:

<b>Governmental Activities:</b>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at 12/31/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 12/31/07</u>	<u>Amount Due in One Year</u>
<u>General obligation bonds:</u>							
DHS Building - 7.375%	12/1/1989	12/1/2009	\$ 30,000	\$ -	\$ (10,000)	\$ 20,000	\$ 10,000
DHS Jobs Building - 5.5%	7/29/1992	7/29/2012	60,000	-	(10,000)	50,000	10,000
Total general obligation bonds			<u>90,000</u>	<u>-</u>	<u>(20,000)</u>	<u>70,000</u>	<u>20,000</u>
<u>Special assessment bond</u>							
Magnolia Sewer lines - 7.375%	12/1/1989	12/1/2009	21,000	-	(7,000)	14,000	7,000
Total special assessment bond			<u>21,000</u>	<u>-</u>	<u>(7,000)</u>	<u>14,000</u>	<u>7,000</u>
<u>OPWC loan payable</u>							
Drake Church Road Bridge	7/1/1992	7/1/2008	9,768	-	(4,884)	4,884	4,884
Total OPWC loan payable			<u>9,768</u>	<u>-</u>	<u>(4,884)</u>	<u>4,884</u>	<u>4,884</u>
<u>Other long-term obligations:</u>							
Capital leases			114,859	147,157	(124,493)	137,523	100,412
Compensated absences			1,055,048	52,679	(50,425)	1,057,302	70,619
Judgements payable			45,000	-	(5,000)	40,000	5,000
Total other long-term obligations			<u>1,214,907</u>	<u>199,836</u>	<u>(179,918)</u>	<u>1,234,825</u>	<u>176,031</u>
Total general long-term obligations			<u>\$ 1,335,675</u>	<u>\$ 199,836</u>	<u>\$ (211,802)</u>	<u>\$ 1,323,709</u>	<u>\$ 207,915</u>

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

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

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

**CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

**NOTE 12 - LONG TERM OBLIGATIONS - (Continued)**

*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.

*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 & gas tax fund, the MRDD 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:

<u>Year Ended</u>	<u>General Obligation Bonds</u>			<u>Special Assessment Bond</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 20,000	\$ 4,425	\$ 24,425	\$ 7,000	\$ 1,033	\$ 8,033
2009	20,000	3,099	23,099	7,000	516	7,516
2010	10,000	1,770	11,770	-	-	-
2011	10,000	1,180	11,180	-	-	-
2012	10,000	590	10,590	-	-	-
<b>Total</b>	<b>\$ 70,000</b>	<b>\$ 11,064</b>	<b>\$ 81,064</b>	<b>\$ 14,000</b>	<b>\$ 1,549</b>	<b>\$ 15,549</b>

<u>Year Ended</u>	<u>OPWC Loan Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 4,884	\$ -	\$ 4,884
<b>Total</b>	<b>\$ 4,884</b>	<b>\$ -</b>	<b>\$ 4,884</b>

**CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

**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 2007:

<b>Business-Type Activities:</b>	<u>Issue</u> <u>Date</u>	<u>Maturity</u> <u>Date</u>	<u>Balance</u> <u>12/31/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/07</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	\$ 235,900	\$ -	\$ (15,300)	\$ 220,600	\$ 15,300
Brown Township/Malvern Sewerline Improvements - 4.5%	10/01/01	10/01/41	<u>2,846,700</u>	<u>-</u>	<u>(35,000)</u>	<u>2,811,700</u>	<u>36,500</u>
Total revenue bonds			<u>3,082,600</u>	<u>-</u>	<u>(50,300)</u>	<u>3,032,300</u>	<u>51,800</u>
<u>Loans payable:</u>							
United States Department of Agriculture, Rural Development - 4.25%			193,800	-	(2,300)	191,500	2,300
Sewer Truck Loan - 3.85%			<u>51,900</u>	<u>-</u>	<u>(51,900)</u>	<u>-</u>	<u>-</u>
Total loans payable			<u>245,700</u>	<u>-</u>	<u>(54,200)</u>	<u>191,500</u>	<u>2,300</u>
<u>Other long-term obligations:</u>							
Compensated absences payable			7,211	8,353	-	15,564	10,545
Estimated liability for landfill closure and postclosure costs			<u>3,915,483</u>	<u>-</u>	<u>-</u>	<u>3,915,483</u>	<u>-</u>
Total other long-term obligations			<u>3,922,694</u>	<u>8,353</u>	<u>-</u>	<u>3,931,047</u>	<u>10,545</u>
Total business-type activities			<u>\$ 7,250,994</u>	<u>\$ 8,353</u>	<u>\$ (104,500)</u>	<u>\$ 7,154,847</u>	<u>\$ 64,645</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 60.87 percent of net revenues. The total principal and interest remaining to be paid on revenue bonds is \$3,032,300. Principal and interest paid for the current year and total customer net revenues were \$190,196 and \$312,481, respectively. These bonds will be retired through revenues derived from sewer operations.

Loans Payable: In fiscal year 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, 2007

**NOTE 12 - LONG TERM OBLIGATIONS - (Continued)**

During fiscal year 2004, the County received a loan for \$150,325 to provide for the purchase of a truck used in the daily operations of the sewer. This loan will be retired through revenues received from sewer operations.

*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 Ended	Loans Payable			Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 2,300	\$ 8,139	\$ 10,439	\$ 51,800	\$ 137,557	\$ 189,357
2009	2,400	8,041	10,441	54,400	135,149	189,549
2010	2,600	7,939	10,539	57,000	132,620	189,620
2011	2,600	7,828	10,428	59,700	129,969	189,669
2012	2,800	7,718	10,518	62,600	127,192	189,792
2013 - 2017	15,700	36,715	52,415	358,800	589,454	948,254
2018 - 2022	19,400	33,079	52,479	335,000	506,275	841,275
2023 - 2027	23,800	28,606	52,406	386,400	428,683	815,083
2028 - 2032	29,300	23,099	52,399	481,600	333,553	815,153
2033 - 2037	36,100	16,317	52,417	600,100	214,992	815,092
2038 - 2042	44,400	7,960	52,360	584,900	67,247	652,147
2043	10,100	429	10,529	-	-	-
Total	<u>\$ 191,500</u>	<u>\$ 185,870</u>	<u>\$ 377,370</u>	<u>\$3,032,300</u>	<u>\$ 2,802,691</u>	<u>\$ 5,834,991</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 \$11,830,381 at December 31, 2007 and the unvoted legal debt margin was \$5,305,296 at December 31, 2007.

## CARROLL COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

#### 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 forty-one counties in Ohio. CORSA was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by CORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

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

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

Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

##### B. Health Care Insurance

The County has elected to provide health care insurance to employees through a fully-insured program. The County purchases commercial health care insurance from Aultcare. The entire risk of loss transfers to the commercial insurance carrier. During 2007 the County offered a traditional health plan and a high deductible health plan. The County's portion of the monthly premium under the traditional health plan is \$268.70 for single coverage and \$884.64 for family coverage. The County's portion of the monthly premium under the high deductible health plan is \$225.50 for single coverage and \$743.72 for family coverage.

There were no significant reductions in insurance coverage from the prior year in any category of risk.

## CARROLL COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

#### NOTE 14 - PENSION PLANS

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

The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional 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.

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 that may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the year ended December 31, 2007, the members of all three plans, except those in law enforcement under the traditional pension plan, were required to contribute 9.5% of their annual covered salaries. Members participating in the traditional pension plan that were in law enforcement contributed 10.1% of their annual covered salary. The County's contribution rate for pension benefits for 2007 was 8.85% for the period January 1, 2007 through June 30, 2007 and 7.85% for the period July 1, 2007 through December 31, 2007, except for those plan members in law enforcement and public safety. For those classifications, the County's pension contributions were 12.17% of covered payroll for the period January 1, 2007 through June 30, 2007 and 11.17% of covered payroll for the period July 1, 2007 through December 31, 2007. The Ohio Revised Code provides statutory authority for member and employer contributions. The County's required contributions to the traditional pension and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$1,432,417, \$1,357,459 and \$1,286,731, respectively; 100.00% has been contributed for 2007, 2006 and 2005.

##### B. State Teachers Retirement System of Ohio

Certified teachers, employed by the school for Mental Retardation and Developmental Disabilities, participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries.

Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (614) 227-4090, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

## CARROLL COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

#### NOTE 14 - PENSION PLANS - (Continued)

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

A DBP or CP member with five or more years of 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 DCP who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the year ended December 31, 2007, plan members were required to contribute 10% of their annual covered salary and the County was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal years 2006 and 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by STRS Ohio, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The County's required contribution to STRS Ohio for the years ended December 31, 2007, 2006, and 2005 was \$51,332, \$46,786, and \$42,649, respectively; 100% has been contributed for fiscal years 2007, 2006 and 2005.

#### NOTE 15 - POSTEMPLOYMENT BENEFITS

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

The Ohio Public Employees Retirement System (OPERS) provides post-employment health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the Traditional Pension or Combined Plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the Member-Directed Plan do not qualify for post-employment health care coverage. The health care coverage provided by OPERS is considered an Other Post-employment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Post-employment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the Traditional Pension or Combined Plans is set aside for the funding of post-employment health care based on authority granted by State statute. The 2007 local government employer contribution rate was 13.85% of covered payroll (17.17% for public safety and law enforcement); 5.00% of covered payroll was the portion that was used to fund health care for the period January 1, 2007 through June 30, 2007 and 6.00% of covered payroll was the portion that was used to fund health care for the period July 1, 2007 through December 31, 2007.

**CARROLL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)**

Benefits are advance-funded using the entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.30% based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate (4.00%) plus and an additional factor ranging from .50% to 5.00% for the next eight years. In subsequent years, (nine and beyond) health care costs were assumed to increase at 4.00%.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

The number of active contributing participants in the traditional pension and combined plans was 374,979 as of December 31, 2007. The County's actual employer contributions for 2007 which were used to fund post-employment benefits were \$561,214. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006 (the latest information available) were \$12.0 billion. At December 31, 2006 (the latest information available), the actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

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 increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

**B. State Teachers Retirement System of Ohio**

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the STRS Ohio based on authority granted by State statute. STRS Ohio is funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended December 31, 2007, the Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the County, this amount was \$3,667.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$4.1 billion at June 30, 2007. For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were \$265.558 million, and STRS Ohio had 122,934 eligible benefit recipients.

**CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

**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 a reservation of fund balance for that portion of outstanding encumbrances not already recognized as payables (GAAP basis).

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

	<b>Net Change in Fund Balances</b>				
	<u>General</u>	<u>Motor Vehicle and Gas Tax</u>	<u>County Board of MRDD</u>	<u>Public Assistance</u>	<u>County Home</u>
Budget basis	\$ 165,283	\$ 429,320	\$ 13,958	\$ 34,353	\$ (41,295)
Net adjustment for revenue accruals	(168,392)	(80,721)	12,184	(144,373)	(2,786)
Net adjustment for expenditure accruals	(138,919)	97,981	(18,072)	9,864	31
Net adjustment for other sources/(uses)	70,594	-	-	-	-
Adjustment for encumbrances	121,032	129,899	52,211	127,867	26,613
GAAP basis	<u>\$ 49,598</u>	<u>\$ 576,479</u>	<u>\$ 60,281</u>	<u>\$ 27,711</u>	<u>\$ (17,437)</u>

**CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

**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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the County at December 31, 2007.

**B. Litigation**

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

On October 5, 1995, Norris Enterprises, Inc., Norris Equipment and Fabricating, Inc., and the Carroll County Community Improvement Corporation jointly entered into a \$900,000 promissory note with the Citizens Banking Company. On December 4, 1995, Carroll County entered into a Unconditional Limited Suretyship Agreement whereby, in the event of default by the original debtors, the County may be called upon to repay the outstanding debt obligation to a maximum of \$450,000. In November 1999, Norris Enterprises, Inc. and Norris Equipment and Fabricating, Inc. filed for bankruptcy protection under Chapter 11 of the 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 \$40,000 has been recorded on the 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 \$2,616,967 for closure costs and \$1,298,516 for postclosure costs. The estimated liability for landfill closure and postclosure care has a balance of \$3,915,483 as of December 31, 2007. 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, 2007. 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.

**CARROLL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**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 non-operating revenues in the Industries financial statements. For the fiscal year ended December 31, 2007, the contributions were \$327,692.

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

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**FINANCIAL CONDITION  
CARROLL COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2007**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Number	Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
<i>Passed Through Ohio Department of Education:</i>			
National School Lunch Program	10.555		9,715
Total U.S. Department of Agriculture			<u>9,715</u>
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
Brownsfields Economic Development Initiative	14.246	B-07-SP-0H-0771	83,302
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grants/State's Program	14.228	BF-06-010-1	133,494
		BC-04-010-1	275,000
		BF-04-010-2	6,644
			<u>415,138</u>
Total U.S. Department of Housing and Urban Development			<u>498,440</u>
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>			
<i>Passed Through the Office of Criminal Justice:</i>			
Crime Victim Assistance	16.575	2008VAGENE087	19,348
		2007VAGENE087	57,752
			<u>77,100</u>
Byrne Formula Grant Program	16.579	2004-DG-BOV-7435	17,811
<i>Passed Through Ohio Department of Youth Services:</i>			
Get a Grip Grant	16.523	2004-JB-015-B-046	22,364
Total U.S. Department of Justice			<u>117,275</u>
<b><u>U.S. DEPARTMENT OF LABOR</u></b>			
<i>Passed Through Ohio Department of Job and Family Services:</i>			
Unemployment Insurance	17.225		750
<i>Passed Through Area 16 Workforce Investment Board</i>			
Workforce Investment Act Cluster:			
WIA - Adult	17.258	N/A	81,308
WIA - Adult Administration			12,816
WIA - Veteran Services Training Program (VSTP)			993
WIA - Adult Total			<u>95,117</u>
WIA - Youth	17.259	N/A	43,951
WIA - Youth Administrative			6,928
WIA - Veteran Services Training Program (VSTP)			547
WIA - Youth Total			<u>51,426</u>
WIA - Dislocated Worker	17.260	N/A	39,606
WIA - Dislocated Worker Administrative			6,243
WIA - Veteran Services Training Program (VSTP)			487
WIA - Dislocated Worker Total			<u>46,336</u>
Total U. S. Department of Labor			<u>193,629</u>
<b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>			
<i>Passed Through Ohio Department of Transportation:</i>			
Formula Grants for Other Than Urbanized Areas	20.509	RPT 4010020031	131,870
State and Community Highway Safety	20.600		5,832
Total U.S. Department of Transportation			<u>137,702</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
<i>Passed Through Ohio Department of Education:</i>			
Innovative Education Program Strategies	84.298		11,666
Special Education Grants for Infants and Families with Disabilities	84.181	10-1-004-1EG-06	35,839
Total U.S. Department of Education			<u>47,505</u>

FINANCIAL CONDITION  
CARROLL COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2007

Federal Grantor/ <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Disbursements
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
<i>Passed Through the Ohio Department of Mental Retardation and Developmental Disabilities:</i>			
Social Services Block Grant - Title XX	93.667		25,921
Medical Assistance Program	93.778		99,388
Total U.S. Department of Health and Human Services			<u>125,309</u>
<b><u>U.S. DEPARTMENT OF HOMELAND SECURITY</u></b>			
Emergency Food and Shelter Program	97.024		2,892
<i>Passed through the Ohio Emergency Management Agency</i>			
Emergency Management Performance Grants	97.042		11,621
			<u>28,341</u>
			39,962
Citizen Corps	97.053		5,000
<i>Passed through Summit County Emergency Management Agency</i>			
State Homeland Security Program	97.073		6,984
Total U.S. Department of Homeland Security			<u>54,838</u>
<b>Total Federal Awards Expenditures</b>			<u><u>\$1,184,413</u></u>

**FINANCIAL CONDITION  
CARROLL COUNTY  
YEAR ENDED DECEMBER 31, 2007**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

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# Mary Taylor, CPA

Auditor of State

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

Financial Condition  
Carroll County  
119 Public Square  
Carrollton, Ohio 44615

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Carroll County, (the County) as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated July 31, 2008. 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*.

### Internal Control Over Financial Reporting

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

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

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

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

We noted certain matters that we reported to the County's management in a separate letter dated July 31, 2008.

### **Compliance and Other Matters**

As part of reasonably assuring whether the 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 did note certain noncompliance or other matters that we reported to the County's management in a separate letter dated July 31, 2008.

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

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

July 31, 2008



# Mary Taylor, CPA

Auditor of State

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

Financial Condition  
Carroll County  
119 Public Square  
Carrollton, Ohio 44615

To the Board of County Commissioners:

### Compliance

We have audited the compliance of Carroll County (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended December 31, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal program. The 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 express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of 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 the 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 the County's compliance with those requirements.

In our opinion, Carroll County complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2007.

### Internal Control Over Compliance

The 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 the County's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that the County's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the County's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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 that might be 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 management, County Commissioners, and federal awarding agencies. It is not intended for anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

July 31, 2008

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

**FINANCIAL CONDITION  
CARROLL COUNTY  
DECEMBER 31, 2007**

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

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

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None





**Mary Taylor, CPA**  
Auditor of State

**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  
OCTOBER 14, 2008**