



Mary Taylor, CPA
Auditor of State

VILLAGE OF CARROLL
FAIRFIELD COUNTY

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Mary Taylor, CPA Auditor of State

Village of Carroll
Fairfield County
68 Center Street
Carroll, Ohio 43112

To the Village of Council,

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Village to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor, CPA
Auditor of State

September 14, 2010

88 E. Broad St. / Tenth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Carroll
Fairfield County
68 Center Street
Carroll, Ohio 43112

To the Village Council,

We have audited the accompanying financial statements of the Village of Carroll, Fairfield County, Ohio (the Village) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2009 and 2008, or its changes in financial for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Carroll, Fairfield County, Ohio, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1.B, for the year ended December 31, 2008, the Village changed its financial presentation comparable from the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements – and Management and Analysis – for State and Local Governments* to the accounting practices the Auditor of State prescribes or permits.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2010, on our consideration of the Village'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.

Mary Taylor, CPA
Auditor of State

September 14, 2010

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Local Taxes	\$ 15,887	\$ 6,125	\$ -	\$ 22,012
Municipal Income Tax	125,498	-	-	125,498
Intergovernmental	17,035	26,944	119,522	163,501
Charges for Services	4,000	-	-	4,000
Fines, Licenses and Permits	18,829	2,854	-	21,683
Earnings on Investments	18,551	2,030	-	20,581
Miscellaneous	6,771	75	-	6,846
Total Cash Receipts	206,571	38,028	119,522	364,121
Cash Disbursements:				
Current:				
Security of Persons and Property	99,921	-	-	99,921
Public Health Services	2,023	-	-	2,023
Leisure Time Activities	3,761	-	-	3,761
Community Environment	8,209	-	-	8,209
Transportation	30,793	57,665	-	88,458
General Government	86,770	-	-	86,770
Debt Service:				
Redemption of Principal	7,283	-	-	7,283
Interest and Fiscal Charges	699	-	-	699
Capital Outlay	-	22	119,522	119,544
Total Cash Disbursements	239,459	57,687	119,522	416,668
Total Receipts Over/(Under) Disbursements	(32,888)	(19,659)	-	(52,547)
Other Financing (Disbursements):				
Transfers-Out	(500)	-	-	(500)
Advances-Out	(43,000)	-	-	(43,000)
Total Other Financing (Disbursements)	(43,500)	-	-	(43,500)
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(76,388)	(19,659)	-	(96,047)
Fund Cash Balances, January 1	260,643	64,302	-	324,945
Fund Cash Balances, December 31	\$ 184,255	\$ 44,643	\$ -	\$ 228,898

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 247,184	\$ -	\$ 247,184
Total Operating Cash Receipts	<u>247,184</u>	<u>-</u>	<u>247,184</u>
Operating Cash Disbursements:			
Personal Services	40,554	-	40,554
Employee Fringe Benefits	4,293	-	4,293
Contractual Services	254,498	-	254,498
Supplies and Materials	22,950	-	22,950
Other	5,070	-	5,070
Total Operating Cash Disbursements	<u>327,365</u>	<u>-</u>	<u>327,365</u>
Operating Loss	<u>(80,181)</u>	<u>-</u>	<u>(80,181)</u>
Non-Operating Cash Receipts:			
Intergovernmental	711,730	-	711,730
Earnings on Investments	207	-	207
Proceeds of Notes	452,748	-	452,748
Miscellaneous Receipts	503	-	503
Fines and Fees Collected	-	21,483	21,483
Total Non-Operating Cash Receipts	<u>1,165,188</u>	<u>21,483</u>	<u>1,186,671</u>
Non-Operating Cash Disbursements:			
Capital Outlay	1,061,040	-	1,061,040
Redemption of Principal	41,577	-	41,577
Interest and Other Fiscal Charges	7,915	-	7,915
Fines and Fees Disbursed	-	21,483	21,483
Total Non-Operating Cash Disbursements	<u>1,110,532</u>	<u>21,483</u>	<u>1,132,015</u>
Excess of Receipts (Under) Disbursements Before Interfund Transfers and Advances	(25,525)	-	(25,525)
Transfers-In	8,733	-	8,733
Transfers-Out	(8,233)	-	(8,233)
Advances-In	43,000	-	43,000
Net Receipts Over Disbursements	<u>17,975</u>	<u>-</u>	<u>17,975</u>
Fund Cash Balances, January 1	<u>333,296</u>	<u>-</u>	<u>333,296</u>
Fund Cash Balances, December 31	<u>\$ 351,271</u>	<u>\$ -</u>	<u>\$ 351,271</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 19,343	\$ 6,547	\$ 25,890
Municipal Income Tax	140,687	-	140,687
Intergovernmental	15,617	34,106	49,723
Charges for Services	3,393	-	3,393
Fines, Licenses and Permits	11,149	1,088	12,237
Earnings on Investments	17,558	2,144	19,702
Miscellaneous	11,906	1,702	13,608
	<u>219,653</u>	<u>45,587</u>	<u>265,240</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	92,494	600	93,094
Public Health Services	929	-	929
Leisure Time Activities	8,914	-	8,914
Community Environment	3,449	-	3,449
Transportation	-	37,618	37,618
General Government	85,173	2,829	88,002
Capital Outlay	22,529	500	23,029
	<u>213,488</u>	<u>41,547</u>	<u>255,035</u>
Total Receipts Over Disbursements	<u>6,165</u>	<u>4,040</u>	<u>10,205</u>
Other Financing Receipts / (Disbursements):			
Proceeds from Sale of Public Debt:			
Proceed of Notes	22,529	-	22,529
Transfers-Out	(500)	-	(500)
	<u>22,029</u>	<u>-</u>	<u>22,029</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	28,194	4,040	32,234
Fund Cash Balances, January 1	<u>232,449</u>	<u>60,262</u>	<u>292,711</u>
Fund Cash Balances, December 31	<u>\$ 260,643</u>	<u>\$ 64,302</u>	<u>\$ 324,945</u>
Reserve for Encumbrances, December 31	<u>\$ 37</u>	<u>\$ 10</u>	<u>\$ 47</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$ 242,615	\$ -	\$ 242,615
Total Operating Cash Receipts	<u>242,615</u>	<u>-</u>	<u>242,615</u>
Operating Cash Disbursements:			
Personal Services	38,644	-	38,644
Employee Fringe Benefits	4,116	-	4,116
Contractual Services	227,516	-	227,516
Supplies and Materials	18,471	-	18,471
Other	3,761	-	3,761
Total Operating Cash Disbursements	<u>292,508</u>	<u>-</u>	<u>292,508</u>
Operating Loss	<u>(49,893)</u>	<u>-</u>	<u>(49,893)</u>
Non-Operating Cash Receipts:			
Proceeds of Notes	134,925	-	134,925
Miscellaneous Receipts	722	-	722
Fines and Fees Collected	-	12,220	12,220
Total Non-Operating Cash Receipts	<u>135,647</u>	<u>12,220</u>	<u>147,867</u>
Non-Operating Cash Disbursements:			
Capital Outlay	16,204	-	16,204
Redemption of Principal	36,460	-	36,460
Interest and Other Fiscal Charges	7,113	-	7,113
Fines and Fees Disbursed	-	12,220	12,220
Total Non-Operating Cash Disbursements	<u>59,777</u>	<u>12,220</u>	<u>71,997</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	25,977	-	25,977
Transfers-In	8,763	-	8,763
Transfers-Out	<u>(8,263)</u>	<u>-</u>	<u>(8,263)</u>
Net Receipts Over/(Under) Disbursements	26,477	-	26,477
Fund Cash Balances, January 1	<u>306,819</u>	<u>-</u>	<u>306,819</u>
Fund Cash Balances, December 31	<u>\$ 333,296</u>	<u>\$ -</u>	<u>\$ 333,296</u>
Reserve for Encumbrances, December 31	<u>\$ 100,020</u>	<u>\$ -</u>	<u>\$ 100,020</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The Village of Carroll, Fairfield County, Ohio (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

The Village is comprised of the primary government and other organizations that were included to ensure that the financial statements are not misleading.

The Village participates in a jointly governed organization and the Public Entity Risk Pool of Ohio. Notes 8 and 9 to the financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organizations:

Fairfield Regional Planning Commission: The Village appoints a member of Council to represent the Village on the 47 member board of the Fairfield Regional Planning Commission.

Public Entity Risk Pool:

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

For the year ended December 31, 2008, the Village changed its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basis Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* to the accounting practices the Auditor of State prescribes or permits. This change did not result in a restatement of the fund balances.

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

Street Construction, Maintenance and Repair Fund - This fund receives intergovernmental monies for constructing, maintaining, and repairing Village streets.

3. Capital Projects Fund

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Projects Fund:

Other Capital Projects Fund - This fund accounts for activity for the paving project for Center Street and Canal Street.

4. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

5. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other governments. The Village disburses these funds as directed by the individual, organization, or other government. The Village's agency fund accounts for:

Mayor's Court Fund – This fund receives monies from the collections on fines imposed from tickets issued by the Village's police protection force. Funds are collected, in part, on behalf of the State of Ohio.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31 was as follows:

	2009	2008
Demand deposits	\$580,169	\$658,241

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$207,111	\$206,571	(\$540)
Special Revenue	54,999	38,028	(16,971)
Capital Projects	136,323	119,522	(16,801)
Enterprise	1,449,178	1,421,105	(28,073)
Total	\$1,847,611	\$1,785,226	(\$62,385)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$386,598	\$239,959	\$146,639
Special Revenue	109,885	57,687	52,198
Capital Projects	152,640	119,522	33,118
Enterprise	1,673,576	1,446,130	227,446
Total	\$2,322,699	\$1,863,298	\$459,401

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Budgetary Activity (Continued)

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$205,101	\$242,182	\$37,081
Special Revenue	51,925	45,587	(6,338)
Enterprise	1,606,242	387,025	(1,219,217)
Total	\$1,863,268	\$674,794	(\$1,188,474)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$337,375	\$214,025	\$123,350
Special Revenue	88,725	41,557	47,168
Enterprise	1,803,978	460,568	1,343,410
Total	\$2,230,078	\$716,150	\$1,513,928

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. Local Income Tax

The Village levies a municipal income tax of .75 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

The income tax is collected by Oatney and Associates, the tax administrator for the Village, and remitted to the Village. Income tax receipts are credited to the Village's General Fund.

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

6. Debt

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan # CQ14L	\$387,522	0%
Ohio Water Development Authority Loan # 4980	\$254,234	1%
Ohio Water Development Authority Loan #2633	\$282,016	2%
Police Cruiser	\$15,246	4%
Total	\$939,018	

The Ohio Public Works Commission (OPWC) loan CQ14L relates to the Gravity Interceptor Sewer Improvement project the Ohio Environmental Protection Agency mandated and was issued in July of 2009. The OPWC approved up to \$400,000 in loans to the Village for this project. At December 31, 2009, \$387,522 was drawn down. The Village will repay the loans in semiannual installments of \$6,667, over 30 years beginning in 2010. The scheduled payment amount below assumes that \$400,000 will be borrowed. The OPWC will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows. Since the loan has not been completely drawn, an amortization schedule for the loan is not available. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The 2008 Ohio Water Development Authority (OWDA) loan 4980, issued for \$258,621, relates to a sewer expansion project that was mandated by the Ohio Environmental Protection Agency. \$62,242 and \$77,418 of this loan was drawn down during 2009 and 2008, respectively. The principal balance of OWDA loan 4788 was paid off by this loan and therefore added to the outstanding principal amount of the loan. The loan will be repaid in semiannual installments of \$5,918, including interest, over 30 years. The loan is secured by capital improvement charge receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The 2007 Ohio Water Development Authority (OWDA) loan 4788, relates to an interceptor design. The OWDA approved up to \$175,000 in a loan to the Village for this project; the loan was not complete at the beginning of 2008. During 2008, \$61,618 was drawn down. At the end of 2008, this loan was paid off with OWDA loan 4980.

The 1992 Ohio Water Development Authority (OWDA) loan 2633, issued for \$850,708, relates to a sewer expansion project that was mandated by the Ohio Environmental Protection Agency. The loan will be repaid in semiannual installments of \$21,787, including interest, over 25 years. The loan is secured by capital improvement charge receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Police Cruiser loan is for the purchase of a police cruiser. The loan was issued for \$22,529 and will be repaid in monthly payments of \$665, including interest, over three years to Peoples Bank.

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

6. Debt (Continued)

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	#4980 OWDA Loan	#2633 OWDA Loan	Police Cruiser Loan
2010	\$11,837	\$43,573	\$8,052
2011	11,837	43,573	8,052
2012	11,837	43,573	0
2013	11,837	43,573	0
2014	11,837	43,573	0
2015-2019	59,183	108,933	0
2020-2024	59,183	0	0
2025-2029	59,183	0	0
2030-3034	59,183	0	0
2035-2039	47,346	0	0
Total	<u>\$343,262</u>	<u>\$326,798</u>	<u>\$16,104</u>

7. Retirement Systems

The Village's contribution rate for 2009 and 2008 was 14 percent, except for those plan members in law enforcement or public safety, for whom the Village's contribution rate was 17.63 and 17.40 percent of covered payroll in 2009 and 2008.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, law enforcement of public safety contributed 17.63 and 17.40 percent, respectively, of their wages. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate of the Village of 14 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

For 2009 and 2008, OPERS members contributed 10 percent of their gross salaries and the Village contributed an amount equaling 14 percent, of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

8. Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

8. Risk Management (Continued)

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2009, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective village.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Assets	\$36,374,898	\$35,769,535
Liabilities	(15,256,862)	(15,310,206)
Net Assets	<u>\$21,118,036</u>	<u>\$20,459,329</u>

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$14.1 million and \$13.7 million of estimated incurred claims payable. The assets above also include approximately \$13.7 million and \$12.9 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Village's share of these unpaid claims collectible in future years is approximately \$9,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
<u>2009</u>	<u>2008</u>
\$10,064	\$9,287

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP.

VILLAGE OF CARROLL
FAIRFIELD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)

8. Risk Management (Continued)

Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

9. Jointly Governed Organizations

Fairfield Regional Planning Commission: The Village appoints a member of Council to represent the Village on the 47 member board of the Fairfield Regional Planning Commission. The Village pays a small membership fee annually based on the per capita of the Village. In 2009 and 2008, the Village's membership amount was \$98. There is no ongoing financial responsibility by the Village.

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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*

Village of Carroll
Licking County
68 Center Street
Carroll, Ohio 43112

To the Village Council:

We have audited the financial statements of the Village of Carroll, Fairfield County, Ohio (the Village) as of and for the year ended December 31, 2009 and 2008, and have issued our report thereon dated September 14, 2010, wherein we noted the Village changed their financial presentation method to conform to presentation methods the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-001 described in the accompanying schedule of findings to be a material weakness.

88 E. Broad St. / Tenth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

Compliance and Other Matters

As part of reasonably assuring whether the Village'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 also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 14, 2010.

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, Village Council, and the Finance Committee, and others within the Village. We intend it for no one other than these specified parties.

Mary Taylor, CPA
Auditor of State

September 14, 2010

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Financial Statement Presentation – Material Weakness

A monitoring system should be in place to prevent or detect material misstatements for the accurate presentation of the Village's financial statements.

The Fiscal Officer did not always accurately post receipts and disbursements to the Village's accounting system. The following posting errors were noted:

2009

- The Village incorrectly posted \$387,522 of Proceeds of Notes as Intergovernmental Receipts in the Enterprise Fund
- The Village incorrectly posted \$188,211 of Intergovernmental Receipts as Proceeds of Notes in the Enterprise Fund
- The Village incorrectly posted \$7,283 of Principal Payments as Interest and Fiscal Charges in the General Fund

2008

- The Village incorrectly posted \$3,500 of Repairs and Maintenance of Motor Vehicles as Interest and Other Fiscal Charges in the General Fund
- The Village did not record \$22,529 in the General Fund as Proceeds of Notes received for the purchase of a police cruiser
- The Village did not record \$4,010 in the Enterprise Fund for Loan Proceeds

The Village's financial statements and accounting records have been adjusted to accurately reflect the proper line item classifications and fund postings.

The Village also incorrectly posted \$1,054 in Homestead and Rollback receipts as Property and Other Taxes instead of correctly as Intergovernmental. The error was not material and will be placed on the Summary of Unadjusted Differences.

Not posting receipts and disbursements accurately to the ledgers resulted in the financial statements requiring numerous audit adjustments and reclassification entries, as well as inaccurate accounting records making it difficult for the Village Council to effectively manage and budget for the Village's activities.

We recommend the Village's Fiscal Officer takes steps to ensure the accurate posting of all transactions to the ledgers and financial statements. Cash receipts and disbursements should be posted in accordance with procedures and posting guidelines established in the Uniform Accounting Network line item descriptions and AOS Bulletins. By exercising accuracy in recording financial activity, the Village can reduce posting errors and increase the reliability of the financial data throughout the year.

VILLAGE OF CARROLL
FAIRFIELD COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>
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FINDING NUMBER 2009-001 (continued)

Financial Statement Presentation – Material Weakness (continued)

Officials' Response: The Village has taken steps to ensure that all postings are entered accurately and that they are reviewed by management.



Mary Taylor, CPA
Auditor of State

VILLAGE OF CARROLL

FAIRFIELD 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
NOVEMBER 4, 2010**