



**VILLAGE OF CARROLLTON
CARROLL COUNTY
Regular Audit
For the Years Ended December 31, 2019 and 2018**

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KEITH FABER



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Village Council
Village of Carrollton
80 Second Street
Carrollton, Ohio 44615

We have reviewed the *Independent Auditor's Report* of the Village of Carrollton, Carroll County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2018 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

November 20, 2020

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VILLAGE OF CARROLLTON
CARROLL COUNTY

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INDEPENDENT AUDITOR'S REPORT

September 23, 2020

Village of Carrollton
Carroll County
80 Second Street
Carrollton, Ohio 44615

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the **Village of Carrollton**, Carroll County, Ohio (the Village) as of and for the years ended December 31, 2019 and 2018.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Carrollton, Carroll County as of December 31, 2019 and 2018, and for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 15 to the financial statements, during 2019 and 2018, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2020, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 278,152	\$ 260,611	\$ -	\$ -	\$ 538,763
Municipal Income Tax	1,137,521	-	-	-	1,137,521
Intergovernmental	92,489	374,169	-	-	466,658
Special Assessments	-	42,247	-	-	42,247
Charges for Services	5,258	25,000	-	-	30,258
Fines, Licenses and Permits	71,315	8,157	-	-	79,472
Earnings on Investments	40,805	1,363	-	30	42,198
Miscellaneous	1,186,427	154,450	-	-	1,340,877
<i>Total Cash Receipts</i>	<u>2,811,967</u>	<u>865,997</u>	<u>-</u>	<u>30</u>	<u>3,677,994</u>
Cash Disbursements					
Current:					
Security of Persons and Property	777,332	311,802	-	-	1,089,134
Public Health Services	21,648	-	-	-	21,648
Leisure Time Activities	48,170	-	-	905	49,075
Community Environment	7,384	11,689	-	-	19,073
Basic Utility Services	-	22,000	-	-	22,000
Transportation	390,884	249,304	-	-	640,188
General Government	356,157	-	-	-	356,157
Capital Outlay	248,116	174,620	-	-	422,736
Debt Service:					
Principal Retirement	-	41,790	-	-	41,790
Interest and Fiscal Charges	-	2,173	-	-	2,173
<i>Total Cash Disbursements</i>	<u>1,849,691</u>	<u>813,378</u>	<u>-</u>	<u>905</u>	<u>2,663,974</u>
<i>Excess of Receipts Over Disbursements</i>	<u>962,276</u>	<u>52,619</u>	<u>-</u>	<u>(875)</u>	<u>1,014,020</u>
Other Financing Receipts					
Sale of Capital Assets	-	1,008	-	-	1,008
<i>Total Other Financing Receipts</i>	<u>-</u>	<u>1,008</u>	<u>-</u>	<u>-</u>	<u>1,008</u>
<i>Net Change in Fund Cash Balances</i>	<u>962,276</u>	<u>53,627</u>	<u>-</u>	<u>(875)</u>	<u>1,015,028</u>
<i>Fund Cash Balances, January 1</i>	<u>3,128,328</u>	<u>727,509</u>	<u>527</u>	<u>16,539</u>	<u>3,872,903</u>
Fund Cash Balances, December 31					
Nonspendable	-	-	-	15,000	15,000
Restricted	-	781,136	527	664	782,327
Assigned	212,144	-	-	-	212,144
Unassigned	3,878,460	-	-	-	3,878,460
<i>Fund Cash Balances, December 31</i>	<u>\$ 4,090,604</u>	<u>\$ 781,136</u>	<u>\$ 527</u>	<u>\$ 15,664</u>	<u>\$ 4,887,931</u>

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

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$ 1,753,930
Miscellaneous	<u>47,508</u>
<i>Total Operating Cash Receipts</i>	<u>1,801,438</u>
Operating Cash Disbursements	
Personal Services	400,981
Employee Fringe Benefits	177,749
Contractual Services	467,191
Supplies and Materials	313,069
Other	<u>330</u>
<i>Total Operating Cash Disbursements</i>	<u>1,359,320</u>
<i>Operating Income</i>	<u>442,118</u>
Non-Operating Receipts (Disbursements)	
Earnings on Investments (proprietary funds only)	8
Other Debt Proceeds	6,369
Sale of Capital Assets	50,000
Capital Outlay	(1,824,418)
Excise Tax Payment - Electric	(28,350)
Principal Retirement	(304,336)
Interest and Other Fiscal Charges	<u>(143,831)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(2,244,558)</u>
<i>Income before Capital Contributions and Transfers</i>	(1,802,440)
Transfers In	72,375
Transfers Out	<u>(72,375)</u>
<i>Net Change in Fund Cash Balances</i>	(1,802,440)
<i>Fund Cash Balances, January 1</i>	<u>2,991,701</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,189,261</u>

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

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Note 1 - Reporting Entity

The Village of Carrollton, Carroll County (the Village), is a body politic and corporate established to exercise rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general government services, water and sewer utilities, maintenance of Village streets and alleys, park operations and police services. The Village supports a paid volunteer fire department through fire levies voted on by the Village residents.

Joint Venture

The Village participates in a joint venture. Note 13 to the financial statements provides additional information for this entity. The organization is:

Joint Venture:

The Village is involved with the landfill located a few miles outside of the Village.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

Fund Accounting

The Village 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. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance, and Repair Fund – This fund receives gasoline tax, motor vehicle tax money and a monthly fee from an exclusive trash contract for constructing, maintaining and repairing Village streets.

Fire Department Fund – This fund receives tax levy monies to support a paid volunteer fire department.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Sidewalk Repair Fund – This fund receives any grant/Village share funds for construction or repair of sidewalks.

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Permanent Funds These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Village had the following significant Permanent Fund:

Park Endowment Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the greenery for the Village's Kiddieland and Square Parks.

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.

Water Capital Projects Fund – This fund receives capital contributions from Carroll Energy Services for the construction of a new waterline within the Village. (See Note 14 for additional information regarding this capital contribution).

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

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. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

VILLAGE OF CARROLLTON
CARROLL COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Budgetary Process (Continued)

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 2019 budgetary activity appears in Note 4.

Deposits and Investments

The Village holds Certificates of Deposit with local banks. The interest from the Certificates of Deposit is posted at maturity. The Village also has an interest bearing checking account.

Capital Assets

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

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.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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

Note 3 – Compliance

Contrary to Ohio law, total appropriations exceeded total estimated resources in the Street Maintenance Fund by \$50,000 and the Sewer Fund by \$218,620.

Note 4 – Budgetary Activity

Budgetary activity for the years ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Estimated Receipts	Actual Receipts	Variance
General	\$ 1,979,566	\$ 2,811,967	\$ 832,401
Special Revenue	772,505	867,005	94,500
Capital Projects	15,000	-	(15,000)
Permanent	30	30	-
Enterprise	2,226,816	1,930,190	(296,626)
Total	\$ 4,993,917	\$ 5,609,192	\$ 615,275

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,329,418	\$ 1,901,745	\$ 427,673
Special Revenue	1,248,962	1,007,819	241,143
Capital Projects	15,527	-	15,527
Permanent	1,084	905	179
Enterprise	5,083,282	4,062,956	1,020,326
Total	\$ 8,678,273	\$ 6,973,425	\$ 1,704,848

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

Note 5 – Deposits and Investments

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

	2019
Demand Deposits	\$ 3,088,929
Savings Account	90,782
Certificates of Deposit	1,530,968
Total deposits	<u>4,710,679</u>
MMAX Trade Account	1,366,513
Total investments	<u>1,366,513</u>
Total deposits and investments	<u><u>\$ 6,077,192</u></u>

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

The Village maintains an investment account which is comprised of negotiable certificates of deposits which are fully collateralized by the Federal Depository Insurance Corporation.

Note 6 – Taxes

Property Taxes

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.

Public utilities are also taxed on personal and real property located within the Village.

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

Income Taxes

The Village levies a municipal income tax of one 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.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

Note 7 - Risk Management

Commercial Insurance

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 obtained commercial insurance for the below risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Claims have not exceeded coverage in any of the past four years. There were no significant reductions in coverage from the prior year.

Property coverage contracts protect against losses, subject to a deductible of \$1,000 on commercial, limited to an annual aggregate loss of \$2,000,000. Auto coverage carries a \$250 deductible for comprehensive and a \$500 deductible for collision with a liability limit of \$1,000,000 per each accident for bodily injury and property damage. Crime coverage has a deductible of \$500 per occurrence. Public Officials and Employees Liability Insurance through Scottsdale indemnity Company carries a liability limit of \$1,000,000 for each loss, and a \$1,000,000 aggregate for each "Policy Period", with a \$2,500 deductible for each loss. The Police Professional liability insurance with Darwin Select Insurance Company carries an annual aggregate limit of \$1,000,000 with a \$7,000 deductible amount for each and every claim.

Health Insurance

The Village provides 100% health insurance coverage for all full-time employees and their dependents, which elect to be enrolled in the Village's group healthcare insurance plan with Aultcare, who pays covered claims to service providers. The insurance coverage is an HSA plan with a \$1,500 deductible for single coverage and a \$3,000 deductible for family. The Village contributed \$750 for each single coverage employee and \$1,500 for each family coverage employee to their HSA account.

Life Insurance

The Village also provides life insurance to all full-time employees through Security Life and Health Insurance Company of America in the amount of \$15,000 for a monthly premium of \$4.80 per month for those under age 65.

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

Note 8 - Transfers

During 2019, the following transfers were made from the Sewer Fund to the Sewer Reserve Fund to meet debt covenant requirements in relation to their USDA loan and Sewer Maintenance Fund to build a reserve for future maintenance expense of the sewer system.

	Transfers - In	Transfers - Out
Sewer Fund	\$ -	\$ (72,375)
Sewer Reserve Fund	12,375	-
Sewer Maintenance Fund	60,000	-
	\$ 72,375	\$ (72,375)

Note 9 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

All full-time and part-time employees that are not a full-time Police Officer belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2019.

Note 10 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019 OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

Note 11 - Debt

Debt outstanding at December 31, 2019 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan CT74M	\$ 308,000	0.00%
OPWC Loan CT72M	337,500	0.00%
OPWC Loan CT34L	325,000	0.00%
OPWC Loan CN27U	65,463	0.00%
OWDA Loan 5127	672,679	1.50%
OWDA Loan 6177	90,142	2.00%
OWDA Loan 6209	27,794	2.82%
OWDA Loan 6476	2,497,543	2.00%
OWDA Loan 6477	125,538	2.00%
OWDA Loan 6962	245,167	2.75%
OWDA Loan 7332	92,401	2.33%
OWDA Loan 8430	97	0.00%
USDA Bonds	2,912,000	2.13%
Vacuum Truck	155,109	2.84%
Total	<u>\$ 7,854,433</u>	

The Ohio Public Works Commission (OPWC) CT74M Loan relates to the storm sewer improvement project for replacement of storm sewer lines in various areas of the Village. The project was started in 2009 and completed in 2010 with final payment to engineers and contractor in early January of 2011. This loan was issued March 13, 2009 in the amount of \$440,000 for 30 years at 0% interest and will be re-paid in semi-annual installments of \$7,333 over 30 years, payable on January 1 and July 1 of each year with final payment due January 1, 2041. This loan is secured by special storm water user fees. The Village has agreed to set user fees sufficient to cover the OPWC debt service requirements. Payments are made from the Storm Sewer Fund.

The Ohio Public Works Commission (OPWC) Loan CN26C relates to construction of waterline improvements – Phase III for waterline replacement on various streets in the Village. The loan was issued on January 11, 2000 in the amount of \$212,093 at 0% interest for 20 years. The loan will be repaid in semi-annual installments of \$5,302 payable on January 1 and July 1 of each year. The loan is secured by water receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements. Payments are made from the Water Fund. The loan was paid off in full December 2019.

The Ohio Public Works Commission (OPWC) Loan CT72M relates to installation of new water tanks and meter upgrades for users of Village water. The loan was issued March 6, 2009 in the amount of \$500,000 at 0% interest for 30 years. The loan will be repaid in semi-annual installments of \$8,333 over 30 years, payable January 1 and July 1 of each year with final payment due January 1, 2040. The loan is secured by water receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements. Payments are made from the Water Fund.

The Ohio Public Works Commission (OPWC) Loan CT34L relates to the construction of the wastewater treatment plant project for the Village. The loan was issued in the amount of \$500,000 at 0% interest. The loan is for a term of 20 years and payable January 1 and July 1 of each year in the amount of \$12,500, with final payment due July 1, 2032. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements. Payments are made from the Sewer Fund.

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

Note 11 – Debt (Continued)

The Ohio Public Works Commission (OPWC) Loan CN27U relates to the improvement of the State Route 43 drainage system for the Village. The loan was issued in the amount of \$70,139 at 0% interest. The loan is for a term of 30 years and payable January 1 and July 1 of each year in the amount of \$1,169, with final payment due January 1, 2049. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements. Payments are made from the Storm Sewer Fund.

The Ohio Water Development Authority (OWDA) Loan 5127 relates to the water system improvements for replacement of water tanks and water meters. The loan was issued June 25, 2009 at the rate of 1.5% interest for 30 years with a maturity date of January 1, 2040. The loan will be re-paid in semi-annual installments in an amount invoiced by OWDA, payable January 1 and July 1 of each year. The loan is secured by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. Payments are made from the Water Fund.

The Ohio Water Development Authority (OWDA) Loan 6177 relates to a waterline replacement project on Second Street NW in the Village. The loan was issued April 26, 2012 in the original amount of \$118,877. The term of the loan is 30 years at 2% interest, with payments due January 1 and July 1 of each year beginning July 1, 2013 and final payment due January 1, 2043. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. Payments are made from the Water Fund.

The Ohio Water Development Authority (OWDA) Loan 6209 relates to the Lincoln Avenue waterline replacement project in the Village. The loan was issued June 28, 2012 in the original amount of \$100,400 for 10 years at 2.82% interest, with payments due January 1 and July 1 of each year with a maturity date of July 1, 2022. Final payment is due July 1, 2022. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. Payments are made from the Water Fund.

The Ohio Water Development Authority (OWDA) Loan 6476 relates to the design and construction of the new water treatment plant project. The loan was issued June 27, 2013 in the original amount of \$2,835,727 for a period of 30 years at 2.00% interest with payments due July 1 and January of each year beginning 7/1/2014. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. Payments are made from the Water Fund.

The Ohio Water Development Authority (OWDA) Loan 6477 relates to a waterline replacement project on Brenner Road. The loan was issued June 27, 2013 in the original amount of \$149,960.94 for a period of 30 years at 2.00% interest with payments due January and July of each year, beginning July 1, 2014 with a maturity date of January 1, 2044. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. Payments are made from the Water Fund.

The Village financed the wastewater treatment plant through USDA, who issued bonds in the amount of \$3,310,000 along with a USDA Grant in the amount of \$2,660,000 for the project that was completed in 2013. The interest rate is 2.125% for a term of 40 years and will be repaid with sewer revenue. One payment of principal and interest will be made once a year until paid in full. There is also a Sewer Reserve Fund set up for which the Sewer Department sets aside \$1,031 per month until the fund reaches a balance of \$123,748 known as the "Minimum Reserve". The Village has agreed to set utility rates sufficient to cover the USDA debt service requirements. Payments are made from the Sewer Fund.

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

Note 11 – Debt (Continued)

The Ohio Water Development Authority (OWDA) Loan 6962 relates to the Bacon Pump Station and Sewerline Replacement. The loan was issued in the amount of \$299,615 at 2.75% interest. The loan is for a term of 20 years and payable January 1 and July 1 of each year in an amount invoiced by OWDA, with final payment due July 1, 2035. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. Payments are made from the Sewer Fund.

The Ohio Water Development Authority (OWDA) Loan 7332 relates to the removal and replacement of membrane filters at the WWTP. The loan was issued June 30, 2016 and the project is still under construction. The loan was issued in the amount of \$181,568 at 2.33% interest. The loan is for a term of 10 years and payable January 1 and July 1 of each year in an amount invoiced by OWDA, with final payment due January 1, 2027. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. Payments are made from the Sewer Fund.

The Ohio Water Development Authority (OWDA) Loan 8430 relates to the Asset Management Plan for the water department. The loan was issued in April 2019 in the amount of \$6,369 and received principal forgiveness in the amount of \$6,261. The first of ten annual payments of \$10.80 was made in December 2019. Payments are made from the Water Fund.

The Village entered into an agreement with Kansas State Bank on October 1, 2017 to finance the purchase of a combination sewer cleaner mounted on a Freightliner Chassis (vacuum truck) in the amount of \$301,770 with an interest rate of 2.84%. Annual payments of \$80,874 started in fiscal year 2018 and will be made through October 1, 2021.

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

Note 11 – Debt (Continued)

Amortization of the Village's debt principal and interest is scheduled as follows:

Year ending December 31:	OPWC CT74M	OPWC CT72M	OPWC CT34L	OPWC CN27U
2020	\$ 14,666	\$ 16,666	\$ 25,000	\$ 2,338
2021	14,666	16,666	25,000	2,338
2022	14,666	16,666	25,000	2,338
2023	14,666	16,666	25,000	2,338
2024	14,666	16,666	25,000	2,338
2015-2029	73,330	83,330	125,000	11,690
2030-2034	73,330	83,330	75,000	11,690
2035-2039	73,330	83,330	-	11,690
2040-2044	14,680	4,180	-	11,690
2045-2049	-	-	-	7,013
Total	\$ 308,000	\$ 337,500	\$ 325,000	\$ 65,463

Year ending December 31:	OWDA 5127	OWDA 6177	OWDA 6209	OWDA 6476	OWDA 6477	OWDA 6962	OWDA 7332
2020	\$ 39,056	\$ 4,908	\$ 11,592	\$ 127,438	\$ 6,612	\$ 19,534	\$ 15,402
2021	39,056	4,908	11,592	127,438	6,612	19,534	15,402
2022	39,056	4,908	11,592	127,438	6,612	19,534	15,402
2023	39,056	4,908	-	127,438	6,612	19,534	15,402
2024	39,056	4,908	-	127,438	6,612	19,534	15,402
2025-2029	195,280	24,540	-	637,190	33,060	97,670	30,804
2030-2034	195,280	24,540	-	637,190	33,060	97,670	-
2035-2039	195,280	24,540	-	637,190	33,060	19,534	-
2040-2044	19,527	17,178	-	637,190	29,754	-	-
2045-2049	-	-	-	63,719	-	-	-
Total	\$ 800,647	\$ 115,338	\$ 34,776	\$ 3,249,669	\$ 161,994	\$ 312,544	\$ 107,814

Year ending December 31:	OWDA 8430	USDA Bonds	Kansas State Bank
2020	\$ 11	\$ 123,680	\$ 80,874
2021	11	123,667	80,874
2022	11	123,626	-
2023	11	123,657	-
2024	11	123,659	-
2025-2029	42	618,355	-
2030-2034	-	618,361	-
2035-2039	-	618,357	-
2040-2044	-	618,268	-
2045-2049	-	618,351	-
2050-2054	-	371,028	-
Total	\$ 97	\$ 4,081,009	\$ 161,748

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

Note 11 – Debt (Continued)

Leases

The Village entered into a lease agreement with Leaf on a new Canon IR C5540i copy machine on June 28, 2017. The purchase price of the machine was \$7,876. Payments are \$144 for 63 months.

Note 12 – Contingent Liabilities

The Village participates in several state assisted grants that are subject to financial and compliance audits by grantor agencies or their representatives. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. The Village believes that disallowed claims, if any, will not have a material adverse effect on the Village's financial condition.

Note 13– Joint Venture

The Village landfill was deeded over to the Carroll County Commissioners during 1989 and was closed in 1993. State and Federal laws and regulations require that Carroll County perform certain maintenance and monitoring functions at the closed landfill site for thirty years after closure. The Village may potentially share in the estimated liability for closure. Carroll County has been in negotiations with the Ohio EPA regarding the landfill closure issues and no costs have yet been determined for which the Village may be liable. The Village is assuming no liability and a lawsuit was filed against the Carroll County Commissioners by the Ohio EPA, but the Village was not named a party to the lawsuit.

The Village has taken steps to generate and stockpile funds for any portion of the Village's expenses including legal fees by establishing a special revenue account entitled "Landfill Closure Fund". Revenue is generated by the Village's exclusive trash contract, which was negotiated and renewed at the rate of \$3,170 per month from the trash hauler. Of this monthly amount \$670 is allocated to the Landfill Closure Fund and the other \$2,500 is allocated to the Street Maintenance Fund for maintenance of streets. The Landfill Closure Fund has a balance of \$201,742 as of December 31, 2019.

Note 14 – Capital Contributions

The Village is currently in the process of a water project that will be paid in full by Carroll County Energy and should be completed very soon. In 2018 the Village received \$1,882,000 out of the approximately \$3,047,000 in funding for the project and expensed \$1,459,381 for the project in 2019. The Village does not anticipate utilizing any of its funds for the project, however will own a portion of the waterlines after completion.

Note 15 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, any recovery from emergency funding, either federal or state, cannot be estimated.

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 279,319	\$ 116,995	\$ -	\$ -	\$ 396,314
Municipal Income Tax	1,225,967	-	-	-	1,225,967
Intergovernmental	86,202	168,722	-	-	254,924
Special Assessments	-	42,217	-	-	42,217
Charges for Services	7,125	25,000	-	-	32,125
Fines, Licenses and Permits	77,717	9,390	-	-	87,107
Earnings on Investments	19,625	1,260	-	30	20,915
Miscellaneous	1,011,511	103,340	-	-	1,114,851
<i>Total Cash Receipts</i>	<u>2,707,466</u>	<u>466,924</u>	<u>-</u>	<u>30</u>	<u>3,174,420</u>
Cash Disbursements					
Current:					
Security of Persons and Property	753,062	152,332	-	-	905,394
Public Health Services	21,648	-	-	-	21,648
Leisure Time Activities	39,318	-	-	600	39,918
Community Environment	6,934	10,774	-	-	17,708
Basic Utility Services	-	7,083	-	-	7,083
Transportation	374,567	111,910	-	-	486,477
General Government	383,657	-	-	-	383,657
Capital Outlay	154,993	181,267	-	-	336,260
Debt Service:					
Principal Retirement	-	17,005	-	-	17,005
<i>Total Cash Disbursements</i>	<u>1,734,179</u>	<u>480,371</u>	<u>-</u>	<u>600</u>	<u>2,215,150</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>973,287</u>	<u>(13,447)</u>	<u>-</u>	<u>(570)</u>	<u>959,270</u>
Other Financing Receipts					
Other Debt Proceeds	-	70,139	-	-	70,139
<i>Total Other Financing Receipts</i>	<u>-</u>	<u>70,139</u>	<u>-</u>	<u>-</u>	<u>70,139</u>
<i>Net Change in Fund Cash Balances</i>	<u>973,287</u>	<u>56,692</u>	<u>-</u>	<u>(570)</u>	<u>1,029,409</u>
<i>Fund Cash Balances, January 1</i>	<u>2,155,041</u>	<u>670,817</u>	<u>527</u>	<u>17,109</u>	<u>2,843,494</u>
Fund Cash Balances, December 31					
Nonspendable	-	-	-	15,000	15,000
Restricted	-	727,509	527	1,539	729,575
Assigned	277,976	-	-	-	277,976
Unassigned	2,850,352	-	-	-	2,850,352
<i>Fund Cash Balances, December 31</i>	<u>\$ 3,128,328</u>	<u>\$ 727,509</u>	<u>\$ 527</u>	<u>\$ 16,539</u>	<u>\$ 3,872,903</u>

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

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 1,829,138
Miscellaneous	12,710
	1,841,848
<i>Total Operating Cash Receipts</i>	<i>1,841,848</i>
Operating Cash Disbursements	
Personal Services	374,906
Employee Fringe Benefits	163,659
Contractual Services	614,651
Supplies and Materials	328,417
Other	184
	1,481,817
<i>Total Operating Cash Disbursements</i>	<i>1,481,817</i>
<i>Operating Income</i>	<i>360,031</i>
Non-Operating Receipts (Disbursements)	
Earnings on Investments (proprietary funds only)	7
Capital Outlay	(156,587)
Principal Retirement	(327,176)
Interest and Other Fiscal Charges	(150,818)
	(634,574)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(634,574)</i>
<i>Income (Loss) before Capital Contributions and Transfers</i>	<i>(274,543)</i>
Capital Contributions	1,882,000
Transfers In	72,375
Transfers Out	(72,375)
	1,607,457
<i>Net Change in Fund Cash Balances</i>	<i>1,607,457</i>
<i>Fund Cash Balances, January 1</i>	<i>1,384,244</i>
<i>Fund Cash Balances, December 31</i>	<i>\$ 2,991,701</i>

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

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 1 - Reporting Entity

The Village of Carrollton, Carroll County (the Village), is a body politic and corporate established to exercise rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general government services, water and sewer utilities, maintenance of Village streets and alleys, park operations and police services. The Village supports a paid volunteer fire department through fire levies voted on by the Village residents.

Joint Venture

The Village participates in a joint venture. Note 13 to the financial statements provides additional information for this entity. The organization is:

Joint Venture:

The Village is involved with the landfill located a few miles outside of the Village.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

Fund Accounting

The Village 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. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance, and Repair Fund – This fund receives gasoline tax, motor vehicle tax money and a monthly fee from an exclusive trash contract for constructing, maintaining and repairing Village streets.

Fire Department Fund – This fund receives tax levy monies to support a paid volunteer fire department.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Sidewalk Repair Fund – This fund receives any grant/Village share funds for construction or repair of sidewalks.

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Permanent Funds These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Village had the following significant Permanent Fund:

Park Endowment Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the greenery for the Village's Kiddieland and Square Parks.

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.

Water Capital Projects Fund – This fund receives capital contributions from Carroll Energy Services for the construction of a new waterline within the Village. (See Note 14 for additional information regarding this capital contribution).

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

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. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

VILLAGE OF CARROLLTON
CARROLL COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Budgetary Process (Continued)

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 2018 budgetary activity appears in Note 4.

Deposits and Investments

The Village holds Certificates of Deposit with local banks. The interest from the Certificates of Deposit is posted at maturity. The Village also has an interest bearing checking account.

Capital Assets

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

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.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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

Note 3 – Compliance

Contrary to Ohio law, total appropriations exceeded total estimated resources in the Street Maintenance Fund by \$98,288, the Fire Department Fund by \$26,334, and the Sewer Maintenance Fund by \$60,000.

Note 4 – Budgetary Activity

Budgetary activity for the years ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Estimated Receipts	Actual Receipts	Variance
General	\$ 2,177,736	\$ 2,707,466	\$ 529,730
Special Revenue	326,703	537,063	210,360
Permanent	30	30	-
Enterprise	3,748,480	3,796,230	47,750
Total	\$ 6,252,949	\$ 7,040,789	\$ 787,840

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,256,248	\$ 1,795,815	\$ 460,433
Special Revenue	902,312	513,810	388,502
Capital Projects	527	-	527
Permanent	1,040	600	440
Enterprise	4,363,243	2,326,118	2,037,125
Total	\$ 7,523,370	\$ 4,636,343	\$ 2,887,027

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 5 – Deposits and Investments

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

	2018
Demand Deposits	\$ 5,430,830
Savings Account	78,399
Certificates of Deposit	15,000
Total deposits	<u>5,524,229</u>
MMAX Trade Account	<u>1,340,375</u>
Total investments	<u>1,340,375</u>
Total deposits and investments	<u>\$ 6,864,604</u>

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

The Village maintains an investment account which is comprised of negotiable certificates of deposits which are fully collateralized by the Federal Depository Insurance Corporation.

Note 6 – Taxes

Property Taxes

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.

Public utilities are also taxed on personal and real property located within the Village.

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

Income Taxes

The Village levies a municipal income tax of one 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.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 7 - Risk Management

Commercial Insurance

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 obtained commercial insurance for the below risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Claims have not exceeded coverage in any of the past four years. There were no significant reductions in coverage from the prior year.

Property coverage contracts protect against losses, subject to a deductible of \$1,000 on commercial, limited to an annual aggregate loss of \$2,000,000. Auto coverage carries a \$250 deductible for comprehensive and a \$500 deductible for collision with a liability limit of \$1,000,000 per each accident for bodily injury and property damage. Crime coverage has a deductible of \$500 per occurrence. Public Officials and Employees Liability Insurance through Scottsdale indemnity Company carries a liability limit of \$1,000,000 for each loss, and a \$1,000,000 aggregate for each "Policy Period", with a \$2,500 deductible for each loss. The Police Professional liability insurance with Darwin Select Insurance Company carries an annual aggregate limit of \$1,000,000 with a \$7,000 deductible amount for each and every claim.

Health Insurance

The Village provides 100% health insurance coverage for all full-time employees and their dependents, which elect to be enrolled in the Village's group healthcare insurance plan with Aultcare, who pays covered claims to service providers. The insurance coverage is an HSA plan with a \$1,500 deductible for single coverage and a \$3,000 deductible for family. The Village contributed \$750 for each single coverage employee and \$1,500 for each family coverage employee to their HSA account.

Life Insurance

The Village also provides life insurance to all full-time employees through Security Life and Health Insurance Company of America in the amount of \$15,000 for a monthly premium of \$4.80 per month for those under age 65.

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 8 - Transfers

During 2018, the following transfers were made from the Sewer Fund to the Sewer Reserve Fund to meet debt covenant requirements in relation to their USDA loan and Sewer Maintenance Fund to build a reserve for future maintenance expense of the sewer system.

	Transfers - In	Transfers - Out
Sewer Fund	\$ -	\$ (72,375)
Sewer Reserve Fund	12,375	-
Sewer Maintenance Fund	60,000	-
	\$ 72,375	\$ (72,375)

Note 9 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

All full-time and part-time employees that are not a full-time Police Officer belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2018.

Note 10 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019 OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 11 - Debt

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan CT74M	\$ 322,667	0.00%
OPWC Loan CN26C	10,604	0.00%
OPWC Loan CT72M	354,167	0.00%
OPWC Loan CT34L	337,500	0.00%
OPWC Loan CN27U	67,801	0.00%
OWDA Loan 5127	701,322	1.50%
OWDA Loan 6177	93,202	2.00%
OWDA Loan 6209	38,378	2.82%
OWDA Loan 6476	2,573,884	2.00%
OWDA Loan 6477	129,578	2.00%
OWDA Loan 6962	257,700	2.75%
OWDA Loan 7332	105,421	2.33%
USDA Bonds	2,972,500	2.13%
Vacuum Truck	229,466	2.84%
Total	<u>\$ 8,194,190</u>	

The Ohio Public Works Commission (OPWC) CT74M Loan relates to the storm sewer improvement project for replacement of storm sewer lines in various areas of the Village. The project was started in 2009 and completed in 2010 with final payment to engineers and contractor in early January of 2011. This loan was issued March 13, 2009 in the amount of \$440,000 for 30 years at 0% interest and will be re-paid in semi-annual installments of \$7,333 over 30 years, payable on January 1 and July 1 of each year with final payment due January 1, 2041. This loan is secured by special storm water user fees. The Village has agreed to set user fees sufficient to cover the OPWC debt service requirements. Payments are made from the Storm Sewer Fund.

The Ohio Public Works Commission (OPWC) Loan CN26C relates to construction of waterline improvements – Phase III for waterline replacement on various streets in the Village. The loan was issued on January 11, 2000 in the amount of \$212,093 at 0% interest for 20 years. The loan will be repaid in semi-annual installments of \$5,302 payable on January 1 and July 1 of each year with final payment due January 1, 2020. The loan is secured by water receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements. Payments are made from the Water Fund.

The Ohio Public Works Commission (OPWC) Loan CT72M relates to installation of new water tanks and meter upgrades for users of Village water. The loan was issued March 6, 2009 in the amount of \$500,000 at 0% interest for 30 years. The loan will be repaid in semi-annual installments of \$8,333 over 30 years, payable January 1 and July 1 of each year with final payment due January 1, 2040. The loan is secured by water receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements. Payments are made from the Water Fund.

The Ohio Public Works Commission (OPWC) Loan #CT34L relates to the construction of the wastewater treatment plant project for the Village. The loan was issued in the amount of \$500,000 at 0% interest. The loan is for a term of 20 years and payable January 1 and July 1 of each year in the amount of \$12,500, with final payment due July 1, 2032. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements. Payments are made from the Sewer Fund.

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 11 – Debt (Continued)

The Ohio Public Works Commission (OPWC) Loan #CN27U relates to the improvement of the State Route 43 drainage system for the Village. The loan was issued in the amount of \$70,139 at 0% interest. The loan is for a term of 30 years and payable January 1 and July 1 of each year in the amount of \$1,169, with final payment due January 1, 2049. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements. Payments are made from the Storm Sewer Fund.

The Ohio Water Development Authority (OWDA) Loan #5127 relates to the water system improvements for replacement of water tanks and water meters. The loan was issued June 25, 2009 at the rate of 1.5% interest for 30 years with a maturity date of January 1, 2040. The loan will be re-paid in semi-annual installments in an amount invoiced by OWDA, payable January 1 and July 1 of each year. The loan is secured by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. Payments are made from the Water Fund.

The Ohio Water Development Authority (OWDA) Loan #6177 relates to a waterline replacement project on Second Street NW in the Village. The loan was issued April 26, 2012 in the original amount of \$118,877. The term of the loan is 30 years at 2% interest, with payments due January 1 and July 1 of each year beginning July 1, 2013 and final payment due January 1, 2043. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. Payments are made from the Water Fund.

The Ohio Water Development Authority (OWDA) Loan #6209 relates to the Lincoln Avenue waterline replacement project in the Village. The loan was issued June 28, 2012 in the original amount of \$100,400 for 10 years at 2.82% interest, with payments due January 1 and July 1 of each year with a maturity date of July 1, 2022. Final payment is due July 1, 2022. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. Payments are made from the Water Fund.

The Ohio Water Development Authority (OWDA) Loan #6476 relates to the design and construction of the new water treatment plant project. The loan was issued June 27, 2013 in the original amount of \$2,835,727 for a period of 30 years at 2.00% interest with payments due July 1 and January of each year beginning 7/1/2014. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. Payments are made from the Water Fund.

The Ohio Water Development Authority (OWDA) Loan #6477 relates to a waterline replacement project on Brenner Road. The loan was issued June 27, 2013 in the original amount of \$149,960.94 for a period of 30 years at 2.00% interest with payments due January and July of each year, beginning July 1, 2014 with a maturity date of January 1, 2044. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. Payments are made from the Water Fund.

The Village financed the wastewater treatment plant through USDA, who issued bonds in the amount of \$3,310,000 along with a USDA Grant in the amount of \$2,660,000 for the project that was completed in 2013. The interest rate is 2.125% for a term of 40 years and will be repaid with sewer revenue. One payment of principal and interest will be made once a year until paid in full. There is also a Sewer Reserve Fund set up for which the Sewer Department sets aside \$1,031 per month until the fund reaches a balance of \$123,748 known as the "Minimum Reserve". The Village has agreed to set utility rates sufficient to cover the USDA debt service requirements. Payments are made from the Sewer Fund.

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 11 – Debt (Continued)

The Ohio Water Development Authority (OWDA) Loan #6962 relates to the Bacon Pump Station and Sewerline Replacement. The loan was issued in the amount of \$299,615 at 2.75% interest. The loan is for a term of 20 years and payable January 1 and July 1 of each year in an amount invoiced by OWDA, with final payment due July 1, 2035. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. Payments are made from the Sewer Fund.

The Ohio Water Development Authority (OWDA) Loan #7332 relates to the removal and replacement of membrane filters at the WWTP. The loan was issued June 30, 2016 and the project is still under construction. The loan was issued in the amount of \$181,568 at 2.33% interest. The loan is for a term of 10 years and payable January 1 and July 1 of each year in an amount invoiced by OWDA, with final payment due January 1, 2027. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. Payments are made from the Sewer Fund.

The Village entered into an agreement with Kansas State Bank on October 1, 2017 to finance the purchase of a combination sewer cleaner mounted on a Freightliner Chassis (vacuum truck) in the amount of \$301,770 with an interest rate of 2.84%. Annual payments of \$80,874 started in fiscal year 2018 and will be made through October 1, 2021.

Amortization of the Village's debt principal and interest is scheduled as follows:

Year ending December 31:	OPWC CT74M	OPWC CN26C	OPWC CT72M	OPWC CT34L	OPWC CN27U
2019	\$ 14,666	\$ 10,604	\$ 16,666	\$ 25,000	\$ 2,338
2020	14,666	-	16,666	25,000	2,338
2021	14,666	-	16,666	25,000	2,338
2022	14,666	-	16,666	25,000	2,338
2023	14,666	-	16,666	25,000	2,338
2024-2028	73,330	-	83,330	125,000	11,690
2029-2033	73,330	-	83,330	87,500	11,690
2034-2038	73,330	-	83,330	-	11,690
2039-2043	29,347	-	20,847	-	11,690
2044-2048	-	-	-	-	9,351
Total	<u>\$ 322,667</u>	<u>\$ 10,604</u>	<u>\$ 354,167</u>	<u>\$ 337,500</u>	<u>\$ 67,801</u>

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 11 – Debt (Continued)

Year ending December 31:	OWDA 5127	OWDA 6177	OWDA 6209	OWDA 6476	OWDA 6477	OWDA 6962	OWDA 7332
2019	\$ 19,528	\$ 2,454	\$ 5,796	\$ 63,719	\$ 3,306	\$ 9,767	\$ 7,701
2020	39,056	4,908	11,592	127,438	6,612	19,534	15,402
2021	39,056	4,908	11,592	127,438	6,612	19,534	15,402
2022	39,056	4,908	11,592	127,438	6,612	19,534	15,402
2023	39,056	4,908	-	127,438	6,612	19,534	15,402
2024-2028	195,280	24,540	-	637,190	33,060	97,670	46,206
2029-2033	195,280	24,540	-	637,190	33,060	97,670	-
2034-2038	195,280	24,540	-	637,190	33,060	39,068	-
2039-2043	58,583	22,086	-	637,190	33,060	-	-
2044-2048	-	-	-	191,157	3,306	-	-
Total	<u>\$ 820,175</u>	<u>\$ 117,792</u>	<u>\$ 40,572</u>	<u>\$ 3,313,388</u>	<u>\$ 165,300</u>	<u>\$ 322,311</u>	<u>\$ 115,515</u>

Year ending December 31:	Kansas	
	USDA Bonds	State Bank
2019	\$ 123,666	\$ 80,874
2020	123,680	80,874
2021	123,667	80,874
2022	123,626	-
2023	123,657	-
2024-2028	618,305	-
2029-2033	618,337	-
2034-2038	618,353	-
2039-2043	618,383	-
2044-2048	618,297	-
2049-2052	494,704	-
Total	<u>\$ 4,204,675</u>	<u>\$ 242,622</u>

Leases

The Village entered into a lease agreement with Leaf on a new Canon IR C5540i copy machine on June 28, 2017. The purchase price of the machine was \$7,876. Payments are \$144 for 63 months.

Note 12 – Contingent Liabilities

The Village participates in several state assisted grants that are subject to financial and compliance audits by grantor agencies or their representatives. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. The Village believes that disallowed claims, if any, will not have a material adverse effect on the Village's financial condition.

The Village was a defendant in an outstanding lawsuit alleging negligence in the maintenance or operation of a sewer line. The lawsuit was settled in favor of the Village during 2018.

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 13– Joint Venture

The Village landfill was deeded over to the Carroll County Commissioners during 1989 and was closed in 1993. State and Federal laws and regulations require that Carroll County perform certain maintenance and monitoring functions at the closed landfill site for thirty years after closure. The Village may potentially share in the estimated liability for closure. Carroll County has been in negotiations with the Ohio EPA regarding the landfill closure issues and no costs have yet been determined for which the Village may be liable. The Village is assuming no liability and a lawsuit was filed against the Carroll County Commissioners by the Ohio EPA, but the Village was not named a party to the lawsuit.

The Village has taken steps to generate and stockpile funds for any portion of the Village's expenses including legal fees by establishing a special revenue account entitled "Landfill Closure Fund". Revenue is generated by the Village's exclusive trash contract, which was negotiated and renewed at the rate of \$3,170 per month from the trash hauler. Of this monthly amount \$670 is allocated to the Landfill Closure Fund and the other \$2,500 is allocated to the Street Maintenance Fund for maintenance of streets. The Landfill Closure Fund has a balance of \$207,431 as of December 31, 2018.

Note 14 – Capital Contributions

The Village is currently in the process of a water project that will be paid in full by Carroll County Energy and should be completed very soon. They received \$1,882,000 out of the approximately \$3,047,000 in funding for the project and expensed \$0 for the project in 2018. The Village does not anticipate utilizing any of its funds for the project, however will own a portion of the waterlines after completion.

Note 15 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, any recovery from emergency funding, either federal or state, cannot be estimated.

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

September 23, 2020

Village of Carrollton
Carroll County
80 Second Street
Carrollton, Ohio 44615

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements by fund type of the **Village of Carrollton**, Carroll County, (the Village) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated September 23, 2020, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of audit findings that we consider material weaknesses. We consider findings 2019-001 through 2019-003 to be material weaknesses.

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
Members: American Institute of Certified Public Accountants
• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

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, opining 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of audit findings as items 2019-002 through 2019-004.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2019-001

Material Weakness

Financial Reporting

Accurate financial reporting is the responsibility of the Clerk-Treasurer and is essential to ensure information provided to the readers of the financial statements is accurate. The Village should have procedures in place to prevent or detect material misstatements for the accurate presentation of the Village's financial statements. The Village did not always accurately post receipts, disbursements, and fund balances to the Village's accounting system. The following errors were noted:

- A loan payment to OWDA was improperly posted to the Water Fund when it should have been posted to the Sewer Fund in 2018;
- Debt proceeds and corresponding capital outlay expense for OPWC Loan CN27U were not properly recorded in the Storm Sewer Fund in 2018;
- Debt proceeds, principal retirement, and other miscellaneous revenue and expense for OWDA Loan 8430 were not properly recorded in the Water Fund in 2019;
- The allocation between principal retirement and interest and fiscal charges was inaccurate on the Kansas State Bank Loan in the Storm Sewer, Water, and Sewer Funds in 2019 and the Water Fund in 2018;
- The allocation between principal retirement and interest and fiscal charges was inaccurate on OWDA Loan 7332 in Sewer Fund in 2018;
- One capital contribution receipt was recorded as miscellaneous in the Water Fund when it should have been recorded in the Sewer Capital Projects Fund in 2018;
- A FEMA receipt was recorded as miscellaneous when it should have been recorded as intergovernmental in the Fire Department Fund in 2019 (this receipt should have been posted to the FEMA Fund – see Finding Number 2019-002);
- Earnings on investments and miscellaneous receipts in the Enterprise Fund were properly posted to the accounting system, but improperly classified in the annual financial report in 2019;
- Earnings on investments was included in operating receipts when it should have been included in nonoperating receipts in the Enterprise Funds in 2018;
- The Assigned and Unassigned balances were inaccurate in the General Fund in 2019; and
- A portion of the Special Revenue Fund balance was classified as Unassigned when it should have been Restricted in 2018.

Not posting receipts and disbursements accurately resulted in the financial statements requiring several reclassifications and adjustments. The financial statements reflect all reclassifications and adjustments. The Village has made these adjustments to its accounting system.

The following reclassifications were inconsequential to the overall financial statements of the Township for December 31, 2019 and 2018 and were not posted to the financial statements or ledgers:

- A capital outlay expense was properly posted in the accounting system, but was incorrectly classified in the annual financial report as excise tax payment – electric in the Water Capital Projects Fund in 2019;
- Two receipts were incorrectly classified as miscellaneous when they should have been classified as sale of fixed assets in the Street Maintenance and Fire Department Funds in 2019; and
- Rollback receipts in the Fire Department Fund were classified as property and other local taxes instead of intergovernmental in 2019.

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2019-001 (Continued)

Material Weakness (Continued)

Financial Reporting (Continued)

Corrections were also made to the notes to the financial statements both to correct errors and to adjust for audit adjustments.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues and expenses are properly identified and classified on the financial statements.

We also recommend the Clerk-Treasurer refer to the Ohio Village Handbook and other Auditor of State resources for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements. The Clerk-Treasurer should refer to Auditor of State Technical Bulletin 2011-004 for assistance in properly classifying fund balances.

Official's Response – We did not receive a response from Officials to this finding.

FINDING NUMBER 2019-002

Material Weakness/Noncompliance

FEMA Grants

Ohio Rev. Code Section 5705.10(D) states, in part, that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such a purpose.

Furthermore, Auditor of State Bulletin 98-13 states, in part, that if expenditures of FEMA grant receipts are primarily for replacing fixed assets the FEMA receipts should be classified within a Capital Projects fund. For work completed and paid for, the Village should reimburse the fund(s) used to pay for the goods and/or services (before the FEMA money was received). One way to repay the fund is to reduce the expenditure in the fund making the original payment and to record the expenditure in the FEMA fund. A second method is to have advanced money to the FEMA fund in anticipation of the receipt of the grant. Repay the advance once the FEMA money is received. A third approach is to transfer the FEMA money from the FEMA fund to the fund that made the original payments.

During 2019, the Village accounted for FEMA grant receipts and disbursements of \$170,596 in the Fire Department Fund. During 2018, the initial \$1,500 of FEMA grant receipts was properly recorded in the FEMA Fund. As the entire grant amount was spent in 2019, the remaining \$1,500 in the FEMA Fund should be transferred to the Fire Department Fund to reimburse for the FEMA expenditures paid out of this fund.

The Village should review Ohio Rev. Code Section 5705.10 and Auditor of State Bulletin 98-13 to gain an understanding of how to account for FEMA receipts and disbursements going forward.

Officials' Response – We did not receive a response from Officials to this finding.

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2019-003

Material Weakness/Noncompliance

Budgetary Controls

The budget is an instrument of public policy: A governing board expresses its desires for using a government's limited resources through its appropriations. **Ohio Rev. Code § 5705** deals with a variety of budgetary requirements that all subdivisions must comply with in order to ensure fiscal responsibility.

In performing the audit we noted several violations of budgetary law which, although they do not in and of themselves result in errors in financial reporting, may lead to the Village making financial decisions based on incorrect or incomplete information. We noted the following:

- Violations of 5705.39 indicating appropriations cannot exceed estimated resources; and
- Beginning Fund Balance Net of Encumbrances was not correctly entered on the Amended Certificate of Estimated Resources in 2018.

In addition, the Village did not have a control procedure in place to ensure that estimated receipts, as authorized by the Village Council and approved by the County Budget Commission, were reconciled to the estimated receipts posted to the accounting system in 2019 and 2018.

This resulted in incorrect amounts posted to the accounting system and information available to Village officials to monitor year-to-date total comparisons of budgeted amounts versus actual amounts was not accurate. We recommend the Village implement procedures to ensure estimated receipts are accurately posted to the accounting system and reconciled to the amounts approved by the Budget Commission after each amendment.

The Village Council should review the requirements of Ohio Rev. Code § 5705 to be familiar with these laws and to make sure the Village is complying with applicable sections. We recommend the Village establish a procedure to ensure the budget is monitored adequately so that expenditures do not exceed appropriation authority and appropriations do not exceed estimated resources.

Officials' Response – We did not receive a response from Officials to this finding.

FINDING NUMBER 2019-004

Noncompliance

Ohio Revised Code § 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required meeting any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Only the subdivision's fiscal officer need sign the certificate. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2019-004 (Continued)

Noncompliance (Continued)

Ohio Revised Code § 5705.41(D) (Continued)

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The entity may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. Only one super blanket certificate may be outstanding at a particular time for any one line-item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for 16% of the expenditures tested for 2019 and for 33% of the expenditures tested for 2018.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Clerk-Treasurer certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, "then and now" certification should be used.

Officials' Response – We did not receive a response from Officials to this finding.

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

Finding Number	Finding Summary	Status	Additional Information
2017-001	Financial Reporting	Not Corrected	Repeated as Finding 2019-001
2017-002	Ohio Rev. Code Section 135.21	Fully Corrected	N/A

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF CARROLLTON

CARROLL COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 12/8/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov