



**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2007



Mary Taylor, CPA
Auditor of State

VILLAGE OF CARROLL
FAIRFIELD COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements - December 31, 2007	
Statement of Net Assets - Cash Basis - December 31, 2007.....	11
Statement of Activities - Cash Basis - For the Year Ended December 31, 2007.....	12
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances - Governmental Funds - December 31, 2007.....	13
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances - Governmental Funds - For the Year Ended December 31, 2007.....	14
Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget and Actual Budget Basis - General Fund - For the Year Ended December 31, 2007.....	15
Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget and Actual Budget Basis - Street Construction, Maintenance, and Repair Fund - For the Year Ended December 31, 2007.....	16
Statement of Fund Net Assets - Cash Basis - Proprietary Funds - December 31, 2007.....	17
Statement of Cash Receipts, Disbursements, and Changes in Fund Net Assets - Cash Basis - Proprietary Funds - For the Year Ended December 31, 2007.....	18
Notes to the Basic Financial Statements.....	19
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	35

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Carroll, Fairfield County, Ohio (the Village), as of and for the year ended December 31, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Carroll, Fairfield County, Ohio, as of December 31, 2007, and the respective changes in cash financial position and the respective budgetary comparisons for the General and Street Construction, Maintenance, and Repair Funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2008, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mary Taylor, CPA
Auditor of State

September 29, 2008

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

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

This discussion and analysis of the Village of Carroll, Fairfield County, Ohio (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2007, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2007 are as follows:

Net assets of Governmental Activities increased \$53,787 or 22.5 percent compared to 2006.

The Village's general receipts are primarily income taxes. These receipts represent 53.8 percent of the total cash received for governmental activities during the year. Property tax receipts for 2007 changed very little compared to 2006.

Net assets of Business-Type Activities increased \$57,513 or 23.1 percent.

Receipts for the Business Type Activities are charges for service for water and sewer operations. These receipts represent 79.1 percent of total cash received during the year.

During the year, the Village entered into an agreement with the Ohio Development Water Authority (OWDA) in the amount of \$175,000 for a Sewer Interceptor Design.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

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

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Village as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2007, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well, such as the Village's property tax base, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental Activities. Most of the Village's basic services are reported here, including police, streets and parks. State grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type Activities. The Village has two significant business-type activities, the provision of water and sewer. Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds - not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into three categories: governmental, proprietary and fiduciary.

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

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

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General and Street Construction, Maintenance, and Repair Funds. The programs reported in governmental funds are the same as those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds - When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village's major proprietary funds are the Water and Sewer Funds. When the services are provided to other department of the Village, the service is reported as an internal service fund. The Village has no Internal Service Funds.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs.

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2007 compared to 2006:

**Table 1
Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Cash	\$292,710	\$238,923	\$306,820	\$249,307	\$599,530	\$488,230
Total Assets	<u>\$292,710</u>	<u>\$238,923</u>	<u>\$306,820</u>	<u>\$249,307</u>	<u>\$599,530</u>	<u>\$488,230</u>
Net Assets						
Restricted for:						
Debt Service	\$0	\$0	\$96,935	\$95,248	\$96,935	\$95,248
Other Purposes	60,261	46,001	0	0	60,261	46,001
Unrestricted	<u>232,449</u>	<u>192,922</u>	<u>209,885</u>	<u>154,307</u>	<u>442,334</u>	<u>347,229</u>
Total Net Assets	<u>\$292,710</u>	<u>\$238,923</u>	<u>\$306,820</u>	<u>\$249,555</u>	<u>\$599,530</u>	<u>\$488,478</u>

As mentioned previously, net assets of Governmental Activities increased \$53,787 or 22.5 percent and Business-Type Activities increased \$57,513 or 23.1 percent during 2007.

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

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

Table 2 reflects the changes in net assets 2007 and 2006 for governmental activities, business-type activities, and total primary government.

**Table 2
Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$8,505	\$8,846	\$222,541	\$204,393	\$231,046	\$213,239
Operating Grants and Contributions	34,500	33,559	0	0	34,500	33,559
Total Program Receipts	<u>43,005</u>	<u>42,405</u>	<u>222,541</u>	<u>204,393</u>	<u>265,546</u>	<u>246,798</u>
General Receipts:						
Property Taxes	16,744	16,061	0	0	16,744	16,061
Income Taxes	132,882	144,044	0	0	132,882	144,044
Other Taxes	9,250	9,395	0	0	9,250	9,395
Grants and Entitlements Not Restricted to Specific Programs	17,848	47,358	0	0	17,848	47,358
Interest	16,968	13,219	0	1,409	16,968	14,628
OWDA Loan	0	0	57,343	0	57,343	0
Miscellaneous	9,716	5,317	774	0	10,490	5,317
Total General Receipts	<u>203,408</u>	<u>235,394</u>	<u>58,117</u>	<u>1,409</u>	<u>261,525</u>	<u>236,803</u>
Total Receipts	<u>246,413</u>	<u>277,799</u>	<u>280,658</u>	<u>205,802</u>	<u>527,071</u>	<u>483,601</u>
Disbursements:						
General Government	68,888	77,176	0	0	68,888	77,176
Security of Persons and Property:	80,820	68,108	0	0	80,820	68,108
Public Health Services	1,910	1,938	0	0	1,910	1,938
Leisure Time Activities	3,309	3,627	0	0	3,309	3,627
Community Environment	2,809	4,630	0	0	2,809	4,630
Transportation	34,041	33,686	0	0	34,041	33,686
Capital Outlay	349	10,250	0	0	349	10,250
Other	0	1,125	0	0	0	1,125
Water	0	0	72,128	100,284	72,128	100,284
Sewer	0	0	151,283	106,385	151,283	106,385
Utility Deposit	0	0	234	421	234	421
Total Disbursements	<u>192,126</u>	<u>200,540</u>	<u>223,645</u>	<u>207,090</u>	<u>415,771</u>	<u>407,630</u>
Excess (Deficiency) Before Transfers	54,287	77,259	57,013	(1,288)	111,300	75,971
Transfers	(500)	(500)	500	500	0	0
Increase (Decrease) in Net Assets	<u>53,787</u>	<u>76,759</u>	<u>57,513</u>	<u>(788)</u>	<u>111,300</u>	<u>75,971</u>
Net Assets, January 1	<u>238,923</u>	<u>162,164</u>	<u>249,307</u>	<u>250,095</u>	<u>488,230</u>	<u>412,259</u>
Net Assets, December 31	<u>\$292,710</u>	<u>\$238,923</u>	<u>\$306,820</u>	<u>\$249,307</u>	<u>\$599,530</u>	<u>\$488,230</u>

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

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

Governmental Activities

Program receipts represent 17.4 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 86.9 percent of total receipts, and of this amount, over 92 percent are local and income taxes and state grants and entitlements. Other receipts are insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council and the mayor, as well as internal services such as payroll and purchasing.

Security of Persons and Property are the costs of police protection, Public Health Services are the costs of the health department; Leisure Time Activities are the costs of maintaining the parks and playing fields; Community Environment promotes the Village to industry and commerce as well as working with other governments in the area to attract new business; and Transportation is the cost of maintaining Village streets.

If you look at the Statement of Activities on page 10, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property, general government, and transportation which account for 42.1, 35.8, and 17.7 percent of all governmental disbursements, respectively. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**Table 3
Governmental Activities**

	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
General Government	\$68,888	(\$60,863)	\$77,176	(\$69,041)
Security of Persons and Property	80,820	(77,385)	68,108	(68,108)
Public Health Services	1,910	(1,910)	1,938	(1,938)
Leisure Time Activities	3,309	(3,309)	3,627	(3,627)
Community Environment	2,809	(2,329)	4,630	(3,919)
Transportation	34,041	(2,976)	33,686	(127)
Capital Outlay	349	(349)	10,250	(10,250)
Other	0	0	1,125	(1,125)
Total Expenses	\$192,126	(\$149,121)	\$200,540	(\$158,135)

VILLAGE OF CARROLL
FAIRFIELD COUNTY

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

The dependence upon property and income tax receipts is apparent as 77.6 percent of governmental activities are supported through these general receipts.

Business-type Activities

Net assets of business type activities increased \$57,513. The Village increased water and sewer rates during the year. Also the Village received a payment from Bloom Carroll School District for \$17,484 for connection to the sewer line.

The Village's Funds

Total governmental funds had receipts of \$246,413 and disbursements of \$192,126. The greatest change from 2007 to 2006 within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$39,527.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2007, the Village amended its General Fund budget 3 times to reflect changing circumstances. Actual receipts were below final budgeted receipts due to unexpected growth in income tax receipts. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$303,861 while actual disbursements were \$165,290.

Capital Assets and Debt Administration

Capital Assets

The Village does not report its Capital Assets and infrastructure

Debt

At December 31, 2007, the Village's outstanding debt included \$412,998 in two OWDA loans relating to a sewer expansion project and for an interceptor design project. For further information regarding the Village's debt, refer to Note 10 to the basic financial statements.

Current Issues

The challenge for all Villages is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. Our newly prepared budget is finished and does not predict a deficit for 2008.

VILLAGE OF CARROLL
FAIRFIELD COUNTY

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

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Mary E. Dawson, Clerk-Treasurer, Village of Carroll 68 Center Street Carroll, Ohio 43112.

This page intentionally left blank.

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2007**

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$292,710	\$306,820	\$599,530
<i>Total Assets</i>	<u>\$292,710</u>	<u>\$306,820</u>	<u>\$599,530</u>
Net Assets			
Restricted for:			
Debt Service	\$0	\$96,935	\$96,935
Other Purposes	60,261	0	60,261
Unrestricted	<u>232,449</u>	<u>209,885</u>	<u>442,334</u>
<i>Total Net Assets</i>	<u>\$292,710</u>	<u>\$306,820</u>	<u>\$599,530</u>

See accompanying notes to the basic financial statements

VILLAGE OF CARROLL
FAIRFIELD COUNTY

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets		Total
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities						
Security of Persons and Property	\$80,820	\$0	\$3,435	(\$77,385)	\$0	(\$77,385)
Public Health Services	1,910	0	0	(1,910)	0	(1,910)
Leisure Time Activities	3,309	0	0	(3,309)	0	(3,309)
Community Environment	2,809	480	0	(2,329)	0	(2,329)
Transportation	34,041	0	31,065	(2,976)	0	(2,976)
General Government	68,888	8,025	0	(60,863)	0	(60,863)
Capital Outlay	349	0	0	(349)	0	(349)
<i>Total Governmental Activities</i>	<u>192,126</u>	<u>8,505</u>	<u>34,500</u>	<u>(149,121)</u>	<u>0</u>	<u>(149,121)</u>
Business Type Activity						
Water	72,128	61,171	0	0	(10,957)	(10,957)
Sewer	151,283	159,670	0	0	8,387	8,387
Utility Deposit	234	1,700	0	0	1,466	1,466
<i>Total Business Type Activity</i>	<u>223,645</u>	<u>222,541</u>	<u>0</u>	<u>0</u>	<u>(1,104)</u>	<u>(1,104)</u>
Total	<u>\$415,771</u>	<u>\$231,046</u>	<u>\$34,500</u>	<u>(149,121)</u>	<u>(1,104)</u>	<u>(150,225)</u>
		General Receipts				
		Property Taxes Levied for:				
		General Purposes		\$16,744	\$0	\$16,744
		Municipal Income Taxes		132,882	0	132,882
		Other Taxes		9,250	0	9,250
		Grants and Entitlements not Restricted to				
		Specific Programs		17,848	0	17,848
		OWDA Loan		0	57,343	57,343
		Interest		16,968	0	16,968
		Miscellaneous		9,716	774	10,490
		<i>Total General Receipts</i>		<u>203,408</u>	<u>58,117</u>	<u>261,525</u>
		Transfers		(500)	500	0
		<i>Total General Receipts and Transfers</i>		<u>202,908</u>	<u>58,617</u>	<u>261,525</u>
		Change in Net Assets		53,787	57,513	111,300
		<i>Net Assets Beginning of Year</i>		<u>238,923</u>	<u>249,307</u>	<u>488,230</u>
		<i>Net Assets End of Year</i>		<u>\$292,710</u>	<u>\$306,820</u>	<u>\$599,530</u>

VILLAGE OF CARROLL
FAIRFIELD COUNTY

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2007

	General	Street Construction, Maintenance, and Repair Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$232,449	\$47,413	\$12,848	\$292,710
<i>Total Assets</i>	<u>\$232,449</u>	<u>\$47,413</u>	<u>\$12,848</u>	<u>\$292,710</u>
Fund Balances				
Unreserved, Undesignated, Reported in:				
General Fund	\$232,449	\$0	\$0	\$232,449
Special Revenue Funds	0	47,413	12,848	60,261
<i>Total Fund Balances</i>	<u>\$232,449</u>	<u>\$47,413</u>	<u>\$12,848</u>	<u>\$292,710</u>

See accompanying notes to the basic financial statements

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	General	Street Construction, Maintenance, and Repair Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$16,744	\$0	\$7,043	\$23,787
Municipal Income Tax	132,882	0	0	132,882
Charges for Services	4,000	0	0	4,000
Fines, Licenses and Permits	9,126	0	1,586	10,712
Intergovernmental	21,283	31,065	0	52,348
Interest	15,066	1,524	378	16,968
Miscellaneous	5,716	0	0	5,716
<i>Total Receipts</i>	<u>204,817</u>	<u>32,589</u>	<u>9,007</u>	<u>246,413</u>
Disbursements				
Current:				
Security of Persons and Property	80,820	0	0	80,820
Public Health Services	1,910	0	0	1,910
Leisure Time Activities	3,309	0	0	3,309
Community Environment	2,809	0	0	2,809
Transportation	7,054	26,987	0	34,041
General Government	68,888	0	0	68,888
Capital Outlay	0	0	349	349
<i>Total Disbursements</i>	<u>164,790</u>	<u>26,987</u>	<u>349</u>	<u>192,126</u>
<i>Excess of Receipts Over Disbursements</i>	<u>40,027</u>	<u>5,602</u>	<u>8,658</u>	<u>54,287</u>
Other Financing (Uses)				
Transfers Out	(500)	0	0	(500)
<i>Total Other Financing (Uses)</i>	<u>(500)</u>	<u>0</u>	<u>0</u>	<u>(500)</u>
<i>Net Change in Fund Balances</i>	39,527	5,602	8,658	53,787
<i>Fund Balances Beginning of Year</i>	<u>192,922</u>	<u>41,811</u>	<u>4,190</u>	<u>238,923</u>
<i>Fund Balances End of Year</i>	<u><u>\$232,449</u></u>	<u><u>\$47,413</u></u>	<u><u>\$12,848</u></u>	<u><u>\$292,710</u></u>

See accompanying notes to the basic financial statements

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$15,600	\$15,600	\$16,744	\$1,144
Municipal Income Tax	150,000	150,000	132,882	(17,118)
Charges for Services	3,000	3,000	4,000	1,000
Fines, Licenses and Permits	6,500	6,500	9,126	2,626
Intergovernmental	21,340	21,340	21,283	(57)
Interest	8,000	8,000	15,066	7,066
Miscellaneous	1,500	1,500	5,716	4,216
<i>Total receipts</i>	<u>205,940</u>	<u>205,940</u>	<u>204,817</u>	<u>(1,123)</u>
Disbursements				
Current:				
Security of Persons and Property	90,700	92,700	80,820	11,880
Public Health Services	1,910	1,910	1,910	0
Leisure Time Activities	13,100	13,100	3,309	9,791
Community Environment	13,300	13,300	2,809	10,491
Transportation	76,296	76,296	7,054	69,242
General Government	103,055	106,055	68,888	37,167
<i>Total Disbursements</i>	<u>298,361</u>	<u>303,361</u>	<u>164,790</u>	<u>138,571</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(92,421)</u>	<u>(97,421)</u>	<u>40,027</u>	<u>137,448</u>
Other Financing (Uses)				
Transfers Out	(500)	(500)	(500)	0
<i>Total Other Financing (Uses)</i>	<u>(500)</u>	<u>(500)</u>	<u>(500)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(92,921)	(97,921)	39,527	137,448
<i>Fund Balance Beginning of Year</i>	<u>192,922</u>	<u>192,922</u>	<u>192,922</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$100,001</u>	<u>\$95,001</u>	<u>\$232,449</u>	<u>\$137,448</u>

See accompanying notes to the basic financial statements

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
STREET CONSTRUCTION, MAINTENANCE, AND REPAIR FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$34,900	\$34,900	\$31,065	(\$3,835)
Interest	1,200	1,200	1,524	324
<i>Total Receipts</i>	<u>36,100</u>	<u>36,100</u>	<u>32,589</u>	<u>(3,511)</u>
Disbursements				
Current:				
Transportation	44,605	44,605	26,987	17,618
Capital Outlay	8,306	8,306	0	8,306
<i>Total Disbursements</i>	<u>52,911</u>	<u>52,911</u>	<u>26,987</u>	<u>25,924</u>
<i>Net Change in Fund Balance</i>	(16,811)	(16,811)	5,602	22,413
<i>Fund Balance Beginning of Year</i>	<u>41,811</u>	<u>41,811</u>	<u>41,811</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$25,000</u></u>	<u><u>\$25,000</u></u>	<u><u>\$47,413</u></u>	<u><u>\$22,413</u></u>

See accompanying notes to the basic financial statements

VILLAGE OF CARROLL
FAIRFIELD COUNTY

STATEMENT OF FUND NET ASSETS - CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2007

	Water Fund	Sewer Fund	Other Enterprise Fund	Total Enterprise Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$47,532	\$255,592	\$3,696	\$306,820
<i>Total Assets</i>	<u>\$47,532</u>	<u>\$255,592</u>	<u>\$3,696</u>	<u>\$306,820</u>
Net Assets				
Restricted for:				
Debt Service	\$0	\$96,935	\$0	\$96,935
Unrestricted	47,532	158,657	3,696	209,885
<i>Total Net Assets</i>	<u>\$47,532</u>	<u>\$255,592</u>	<u>\$3,696</u>	<u>\$306,820</u>

See accompanying notes to the basic financial statements

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**STATEMENT OF CASH RECEIPTS,
DISBURSEMENTS AND CHANGES IN FUND NET ASSETS - CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Water Fund	Sewer Fund	Other Enterprise Fund	Total Enterprise Funds
Operating Receipts				
Charges for Services	\$61,171	\$159,670	\$1,700	\$222,541
<i>Total Operating Receipts</i>	<u>61,171</u>	<u>159,670</u>	<u>1,700</u>	<u>222,541</u>
Operating Disbursements				
Current:				
Personal Services	19,747	16,595	0	36,342
Fringe Benefits	1,412	2,595	0	4,007
Contractual Services	46,662	75,740	0	122,402
Materials and Supplies	4,307	12,780	0	17,087
Other	0	0	234	234
<i>Total Operating Disbursements</i>	<u>72,128</u>	<u>107,710</u>	<u>234</u>	<u>180,072</u>
<i>Operating Income (Loss)</i>	(10,957)	51,960	1,466	42,469
Non-Operating Receipts (Disbursements)				
OWDA Loans	0	57,343	0	57,343
Miscellaneous	774	0	0	774
Principal Payments	0	(35,745)	0	(35,745)
Interest and Fiscal Charges	0	(7,828)	0	(7,828)
<i>Income (Loss) before Transfers</i>	(10,183)	65,730	1,466	57,013
Transfers In	854	404	0	1,258
Transfers Out	0	0	(758)	(758)
<i>Change in Net Assets</i>	(9,329)	66,134	708	57,513
<i>Net Assets Beginning of Year</i>	<u>56,861</u>	<u>189,458</u>	<u>2,988</u>	<u>249,307</u>
<i>Net Assets End of Year</i>	<u>\$47,532</u>	<u>\$255,592</u>	<u>\$3,696</u>	<u>\$306,820</u>

See accompanying notes to the basic financial statements

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

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

Note 1 - Reporting Entity

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

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

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services.

B. Component Units

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and 1) the Village is able to significantly influence the programs or services performed or provided by the organization; or 2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. The Village has no component units.

C. Joint Ventures, Jointly Governed Organizations and Public Entity Risk Pools

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the cash basis of accounting, the Village does not report assets for equity interest in joint ventures. The Village does not participate in a joint venture.

The Village participates in one jointly governed organization and one public entity risk pool. Notes 12 and 13 to the financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organization:

Fairfield County Regional Planning Commission

Public Entity Risk Pool:

Public Entities Risk Services of Ohio, Inc.

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

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

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

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balances of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's government and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village general receipts.

Fund Financial Statements

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

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

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

Note 2 - Summary of Significant Accounting Policies (continued)

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The proprietary fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

The Village uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories, governmental, proprietary and fiduciary.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village's major governmental funds are the General Fund and Street Construction, Maintenance, and Repair Fund. The General Fund is used to account for all financial resources, except those required to be accounted for 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. The Street Construction, Maintenance, and Repair Fund is used to account for monies received from gasoline tax and motor vehicle tax money for constructing, maintaining and repairing village streets. The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service. The Village has no internal service funds.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are:

Water Fund - This fund accounts for the provision of water to the residents and commercial users located within the Village.

Sewer Fund - This fund accounts for the provisions of sanitary sewer services to the residents and commercial users within the Village.

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The Village had no trust funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village's agency fund, the Mayor's Court Fund, accounts for gross money received from Mayor's Court Fines. A portion of the money belongs to the State of Ohio and a portion to the Village. The gross receipts are receipted into the agency fund then disbursed. No Statement of Fiduciary Assets is presented because the fund had no assets at December 31, 2007.

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

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

Note 2 - Summary of Significant Accounting Policies (continued)

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

E. Cash and Investments

To improve cash management, cash received by the Village is pooled. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

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

Note 2 - Summary of Significant Accounting Policies (continued)

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively. The Village had no investments during 2007.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2007 was \$15,066 which includes \$10,245 assigned from other Village funds.

F. Restricted Assets

Cash and cash equivalents are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Village had no restricted assets at December 31, 2007.

G. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

J. Employer Contributions to Cost Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither are other financing source nor of a capital outlay expenditure reported at inception.

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

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

Note 2 - Summary of Significant Accounting Policies (continued)

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for debt service and other purposes include resources restricted for other purposes.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

M. Fund Balance Reserves

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved (and undesignated if there are any designations) fund balance indicates that portion of fund balance which is available for appropriation in future periods. The Village had no fund balance reserves at December 31, 2007.

N. Interfund Transactions

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

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund balance - Budget and Actual - Budgetary Basis presented for the General Fund and Street Construction, Maintenance, and Repair Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The Village had no outstanding encumbrances at December 31, 2007.

Note 4 - Deposits and Investments

Monies held by the Village are classified by State statute into three categories.

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

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

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

Note 4 - Deposits and Investments (Continued)

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreements by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio Local Governments;
5. Time Certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (Star Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

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

Note 4 - Deposits and Investments (Continued)

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$529,912 of the Village's bank balance of \$629,912 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Note 5 - Income Taxes

The Village levies a .75 percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of .25 percent on taxable income paid to another city. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

Note 6 - Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Property tax receipts received in 2007 for real and public utility property taxes represents collections of the 2006 taxes. Property tax payments received during 2007 for tangible personal property (other than public utility property) is for 2007 taxes.

2007 real property taxes are levied after October 1, 2007 on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2007 real property taxes are collected in and intended to finance 2008.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2007 public utility property taxes which became a lien on December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes.

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

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

Note 6 - Property Taxes (Continued)

2007 tangible property taxes are levied after October 1, 2006, on the value as of December 31, 2006. Collections are made in 2007. Tangible personal property assessments are being phased out - the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008, and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 3, with the remainder due September 20.

The full tax rate for all Village operations for the year ended December 31, 2007 was \$4.90 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2007 property tax receipts were based are as follows:

Real Property	\$8,990,060
Public Utility Property	361,290
Tangible Personal Property	214,885
Total Assessed Values	<u>\$9,566,235</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

Note 7 - Risk Management

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

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

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006, PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006) as noted above.

VILLAGE OF CARROLL
FAIRFIELD COUNTY

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

Note 7 - Risk Management (Continued)

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provide aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Assets	\$37,560,071	\$36,123,194
Liabilities	<u>(17,340,825)</u>	<u>(16,738,904)</u>
Net Assets	<u>\$20,219,246</u>	<u>\$19,384,290</u>

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$21,346. This payable includes the subsequent year's contribution due if the Village terminates participation, as described in the last paragraph below.

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

VILLAGE OF CARROLL
FAIRFIELD COUNTY

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

Note 7 - Risk Management (Continued)

Contributions to PEP

2005	\$10,056
2006	\$11,464
2007	\$10,673

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 8 - Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy: The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2007, members in state and local classifications contributed 9.5 percent of covered payroll and law enforcement members contributed 10 percent.

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

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

Note 8 - Defined Benefit Pension Plan (Continued)

The Village's contribution rate for 2007 was 13.77 percent, except for those plan members in law enforcement or public safety, for whom the Village's contribution rate was 13.85 percent of covered payroll. For the period January 1 through June 30, 2006, a portion of the Village's contribution equal to 5 percent of covered payroll was allocated to fund the postemployment healthcare plan; for the period July 1 through December 31, 2007 this amount was increased to 6 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate of the Village of 14 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$13,257, \$11,316, and \$10,707, respectively. The full amount has been contributed for 2007, 2006 and 2005.

B. Social Security

Some elected officials opted to pay into Social Security (FICA). Contribution rates are approved by the United States Congress. Members contributed 6.2 percent of their wages to FICA and the Village also contributed an amount equal to 6.2 percent of their wages.

Note 9 - Postemployment Benefits

Plan Description: OPERS maintains a cost-sharing multiple-employer defined benefit postemployment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment healthcare. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for postemployment healthcare coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide healthcare benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy: The postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund postemployment healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2007, local government employers contributed 13.77 percent of covered payroll (13.85 percent for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment healthcare benefits. The amount of the employer contributions which was allocated to fund postemployment healthcare was 5 percent of covered payroll from January 1 through June 30, 2007, and 6 percent from July 1 to December 31, 2007.

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

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

Note 9 - Postemployment Benefits (Continued)

The retirement board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment healthcare plan.

The Village's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2007, 2006, and 2005 were \$795, \$509, and \$482, respectively. The full amount has been contributed for 2007, 2006 and 2005.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the healthcare plan.

Note 10 - Debt

The Village's long-term debt activity for the year ended December 31, 2007, was as follows:

	Interest Rate	Balance December 31, 2006	Additions	Reductions	Balance December 31, 2007	Due Within One Year
<u>Business-type Activities</u>						
1992 OWDA Loan	2.0%	\$391,410	\$0	\$35,745	\$355,665	\$36,460
2007 OWDA Loan	5.11%	0	57,343	0	57,343	0
Total Business-type Activities		<u>\$391,410</u>	<u>\$57,343</u>	<u>\$35,745</u>	<u>\$412,998</u>	<u>\$36,460</u>

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

The 2007 Ohio Water Development Authority (OWDA) relates to an interceptor design. The OWDA approved up to \$175,000 in a loan to the Village for this project. The principal amount above represents the total amount owed to date. The OWDA will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows. Since the loan has not been completely drawn, an amortization schedule for the loan is not available. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover future OWDA debt service requirements.

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

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

Note 10 - Debt (Continued)

The following is a summary of the Village's future annual debt service requirements:

Year	OWDA Loan	
	Principal	Interest
2008	\$36,460	\$7,113
2009	37,189	6,384
2010	37,933	5,640
2011	38,692	4,882
2012	39,465	4,108
2013-2016	165,926	8,367
Totals	\$355,665	\$36,494

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2007, were an overall debt margin of \$526,143 and an unvoted debt margin of \$355,665.

Note 11 - Interfund Transfers

During 2007 the following transfers were made:

Transfer from the General Fund to:		
Water Fund		\$500
Total		\$500
Transfer from the Utility Deposit Fund to:		
Water Fund		\$354
Sewer Fund		404
Total		\$758

Transfers from the General fund represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Transfers from the Utility Deposit Fund represent deposits-on-hand required to pay utility bills for customers who have moved out of the Village.

Note 12 - Jointly Governed Organizations

Fairfield Regional Planning Commission: The Village appoints a member of Council to represent the Village on the 47 member board of the Fairfield Regional Planning Commission. The Village pays a small membership fee annually based on the per capita of the Village. In 2007, the Village's membership amount was \$98. There is no ongoing financial responsibility by the Village.

VILLAGE OF CARROLL
FAIRFIELD COUNTY

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

Note 13 - Public Entity Risk Pool

The Village participates in the Public Entities Pool of Ohio (PEP), a risk sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements, and other expenses resulting from covered claims that exceed the member's deductibles. Note 7 to the financial statements provide additional information for this entity.

Note 14 - Subsequent Event

On July 1, 2008, the Village entered into a grant/loan agreement with the Ohio Public Works Commission (OPWC) for the Gravity Interceptor Sewer Improvement project in the amount of \$620,000. OPWC has agreed to provide \$220,000 in the form of a grant for the project. Once the grant is fully expended, OPWC has agreed to provide \$400,000 in a loan for the project.

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

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

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

To the Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Carroll, Fairfield County, Ohio (the Village) as of and for the year ended December 31, 2007, which collectively comprise the Village's basic financial statements and have issued our report thereon dated September 29, 2008, wherein we noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

We noted certain internal control matters that we reported to the Village's management in a separate letter dated September 29, 2008.

Compliance and Other Matters

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

We did note a certain noncompliance or other matter that we reported to the Village's management in a separate letter dated September 29, 2008.

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



Mary Taylor, CPA
Auditor of State

September 29, 2008



Mary Taylor, CPA
Auditor of State

VILLAGE OF CARROLL

FAIRFIELD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 6, 2008**