



**Auditor of State
Betty Montgomery**

VILLAGE OF CARROLLTON
CARROLL COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Governmental and Similar Fiduciary Fund Types - For the Year Ended December 31, 2004	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2004	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Governmental and Fiduciary Fund Types - For the Year Ended December 31, 2003	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2003	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Findings.....	19
Schedule of Prior Audit Findings.....	21

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

Village of Carrollton
Carroll County
80 Second Street SW
Carrollton, OH 44615-1539

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

December 28, 2005

This page intentionally left blank.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of Carrollton
Carroll County
80 Second Street SW
Carrollton, OH 44615-1539

To the Village Council:

We have audited the accompanying financial statements of the Village of Carrollton, Carroll County, (the Village) as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 28, 2005, or its changes in financial position or cash flows of its proprietary funds for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Carrollton, Carroll County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2005, 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.



Betty Montgomery
Auditor of State

December 28, 2005

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$175,245	\$84,386			\$259,631
Municipal Income Tax				\$650,608	650,608
Intergovernmental Receipts	95,877	187,088	\$70,944		353,909
Charges for Services	9,912	24,750			34,662
Fines, Licenses, and Permits	82,211	876		30,000	113,087
Earnings on Investments	6,296	109			6,405
Miscellaneous	12,944	31,871	60		44,875
	<u>382,485</u>	<u>329,080</u>	<u>71,004</u>	<u>680,608</u>	<u>1,463,177</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	510,828	81,836			592,664
Public Health Services	16,724				16,724
Leisure Time Activities	34,461				34,461
Community Environment	5,125				5,125
Transportation	162,446	123,445			285,891
General Government	230,992			17,667	248,659
Debt Service:					
Principal Payments	34,517	14,751			49,268
Interest Payments	19,560	7,428			26,988
Capital Outlay	24,102	164,874	152,022	917	341,915
	<u>1,038,755</u>	<u>392,334</u>	<u>152,022</u>	<u>18,584</u>	<u>1,601,695</u>
Total Receipts Over/(Under) Disbursements	<u>(656,270)</u>	<u>(63,254)</u>	<u>(81,018)</u>	<u>662,024</u>	<u>(138,518)</u>
Other Financing Receipts and (Disbursements):					
Sale of Fixed Assets	4,180	855			5,035
Sale of Notes		73,000			73,000
Transfers-In	640,000	10,000	82,554		732,554
Transfers-Out	(22,554)			(640,000)	(662,554)
Other Financing Uses	(46,500)			(15,652)	(62,152)
	<u>575,126</u>	<u>83,855</u>	<u>82,554</u>	<u>(655,652)</u>	<u>85,883</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(81,144)	20,601	1,536	6,372	(52,635)
Fund Cash Balances, January 1	287,621	150,935	0	186,234	624,790
Fund Cash Balances, December 31	<u>\$206,477</u>	<u>\$171,536</u>	<u>\$1,536</u>	<u>\$192,606</u>	<u>\$572,155</u>
Reserves for Encumbrances, December 31	<u>\$10,650</u>	<u>\$9,193</u>	<u>\$0</u>	<u>\$0</u>	<u>\$19,843</u>

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

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Cash Receipts:			
Charges for Services	\$608,630		\$608,630
Earnings of Investments		\$167	167
Total Operating Cash Receipts	<u>608,630</u>	<u>167</u>	<u>608,797</u>
Operating Cash Disbursements:			
Personal Services	315,431		315,431
Travel Transportation	1,891		1,891
Contractual Services	117,518		117,518
Supplies and Materials	61,499		61,499
Capital Outlay	80,117		80,117
Total Operating Cash Disbursements	<u>576,456</u>	<u>0</u>	<u>576,456</u>
Operating Income	<u>32,174</u>	<u>167</u>	<u>32,341</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	<u>534</u>		<u>534</u>
Total Non-Operating Cash Receipts	<u>534</u>	<u>0</u>	<u>534</u>
Non-Operating Cash Disbursements:			
Debt Service	11,489		11,489
Other Non-Operating Cash Disbursements	<u>55</u>		<u>55</u>
Total Non-Operating Cash Disbursements	<u>11,544</u>	<u>0</u>	<u>11,544</u>
Excess of Receipts Over Disbursements Before Interfund Transfers and Advances	21,164	167	21,331
Transfers-Out	<u>(70,000)</u>		<u>(70,000)</u>
Net Receipts Over/(Under) Disbursements	(48,836)	167	(48,669)
Fund Cash Balances, January 1	<u>170,695</u>	<u>18,434</u>	<u>189,129</u>
Fund Cash Balances, December 31	<u>\$121,859</u>	<u>\$18,601</u>	<u>\$140,460</u>
Reserve for Encumbrances, December 31	<u>\$17,290</u>	<u>\$0</u>	<u>\$17,290</u>

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

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Expendable Trust</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$173,824	\$83,260	\$0		\$257,084
Municipal Income Tax				\$680,281	680,281
Intergovernmental Receipts	174,534	471,366			645,900
Charges for Services	9,295	20,250			29,545
Fines, Licenses, and Permits	76,541	1,276		30,000	107,817
Earnings on Investments	11,852	93			11,945
Miscellaneous	4,914	100			5,014
Total Cash Receipts	<u>450,960</u>	<u>576,345</u>	<u>0</u>	<u>710,281</u>	<u>1,737,586</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	469,571	71,367			540,938
Public Health Services	15,224				15,224
Leisure Time Activities	29,613				29,613
Community Environment	5,076				5,076
Transportation	165,865	132,227			298,092
General Government	264,089			21,847	285,936
Debt Service:					
Principal Payments			70,169		70,169
Interest Payments			28,841		28,841
Capital Outlay	116,603	198,395		7,600	322,598
Total Cash Disbursements	<u>1,066,041</u>	<u>401,989</u>	<u>99,010</u>	<u>29,447</u>	<u>1,596,487</u>
Total Receipts Over/(Under) Disbursements	<u>(615,081)</u>	<u>174,356</u>	<u>(99,010)</u>	<u>680,834</u>	<u>141,099</u>
Other Financing Receipts and (Disbursements):					
Sale of Fixed Assets	2,787				2,787
Transfers-In	650,000	60,000	99,010		809,010
Advances-In	183,659				183,659
Other Financing Sources	6,629	1,858		92	8,579
Transfers-Out	(116,439)	(14,000)		(650,000)	(780,439)
Advances-Out		(183,660)			(183,660)
Other Financing Uses				(63,554)	(63,554)
Total Other Financing Receipts/(Disbursements)	<u>726,636</u>	<u>(135,802)</u>	<u>99,010</u>	<u>(713,462)</u>	<u>(23,618)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	111,555	38,554	0	(32,628)	117,481
Fund Cash Balances, January 1	176,066	112,381	0	218,862	507,309
Fund Cash Balances, December 31	<u>\$287,621</u>	<u>\$150,935</u>	<u>\$0</u>	<u>\$186,234</u>	<u>\$624,790</u>
Reserves for Encumbrances, December 31	<u>\$5,786</u>	<u>\$37,722</u>	<u>\$0</u>	<u>\$140</u>	<u>\$43,648</u>

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

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Cash Receipts:			
Charges for Services	\$582,427		\$582,427
Earnings on Investments		(\$302)	(302)
Miscellaneous	5		5
Total Operating Cash Receipts	<u>582,432</u>	<u>(302)</u>	<u>582,130</u>
Operating Cash Disbursements:			
Personal Services	273,329		273,329
Travel Transportation	802		802
Contractual Services	96,935		96,935
Supplies and Materials	65,550		65,550
Capital Outlay	153,000		153,000
Total Operating Cash Disbursements	<u>589,616</u>	<u>0</u>	<u>589,616</u>
Operating (Loss)	<u>(7,184)</u>	<u>(302)</u>	<u>(7,486)</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	2,318		2,318
Total Non-Operating Cash Receipts	<u>2,318</u>	<u>0</u>	<u>2,318</u>
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements	757		757
Total Non-Operating Cash Disbursements	<u>757</u>	<u>0</u>	<u>757</u>
Excess of Receipts (Under) Disbursements Before Interfund Transfers and Advances	(5,623)	(302)	(5,925)
Transfers-Out	<u>(28,570)</u>		<u>(28,570)</u>
Net Receipts (Under) Disbursements	(34,193)	(302)	(34,495)
Fund Cash Balances, January 1	<u>204,888</u>	<u>18,736</u>	<u>223,624</u>
Fund Cash Balances, December 31	<u>\$170,695</u>	<u>\$18,434</u>	<u>\$189,129</u>
Reserve for Encumbrances, December 31	<u>\$29,963</u>	<u>\$0</u>	<u>\$29,963</u>

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

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Carrollton, Carroll County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides water and sewer utilities, street maintenance and repair, building inspection and development, parks and recreation, and police and fire services

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

B. Basis of Accounting

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

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

The Village values certificates of deposit and repurchase agreement at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Street Construction, Maintenance, and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Fire Levy Fund -This fund receives tax and charges for services money for providing fire services for the Village and localities contracting with the Village for fire services.

Grant Fund -This fund receives federal dollars for the downtown renovation.

3. Debt Service Fund

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant debt service funds:

General Obligation Debt Service Fund -This fund receives money transferred from the General and Fire Levy Fund to make debt payments.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Waterlines Fund - This fund receives Ohio Public Works Commission (OPWC) money to replace old Village waterlines.

5. 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.

6. Fiduciary Funds (Trust Funds)

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the Village classifies the fund as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Fund - This fund receives the income tax revenue and the revenue is then transferred out to the appropriate funds.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2004 and 2003 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2004	2003
Demand deposits	(\$7,608)	\$799
Certificates of deposit	315,601	315,419
Total deposits	307,993	316,218
Repurchase agreement	404,622	497,701
Total deposits and investments	\$712,615	\$813,919

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; [or] collateralized by the financial institution's public entity deposit pool.

Investments: The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,261,705	\$1,026,665	(\$235,040)
Special Revenue	479,733	412,935	(66,798)
Capital Projects	205,123	153,558	(51,565)
Enterprise	744,341	609,164	(135,177)
Fiduciary	884,628	680,775	(203,853)
Total	\$3,575,530	\$2,883,097	(\$692,433)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,275,309	\$1,118,459	\$156,850
Special Revenue	468,965	401,527	67,438
Capital Projects	205,123	152,022	53,101
Enterprise	765,993	675,290	90,703
Fiduciary	916,640	674,236	242,404
Total	\$3,632,030	\$3,021,534	\$610,496

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,252,962	\$1,110,376	(\$142,586)
Special Revenue	663,936	638,203	(25,733)
Debt Service	99,010	99,010	0
Enterprise	776,317	584,750	(191,567)
Fiduciary	947,768	710,071	(237,697)
Total	\$3,739,993	\$3,142,410	(\$597,583)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,254,725	\$1,188,266	\$66,459
Special Revenue	549,220	453,711	95,509
Debt Service	99,010	99,010	0
Enterprise	781,261	648,906	132,355
Fiduciary	775,750	743,141	32,609
Total	\$3,459,966	\$3,133,034	\$326,932

Contrary to Ohio law, the Village did not certify or encumber certain purchases until the time of payments.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

Property owners assess tangible personal property tax. They must file a list of tangible property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on the Village's behalf.

5. LOCAL INCOME TAX

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.

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

5. LOCAL INCOME TAX (Continued)

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.

6. DEBT

Debt outstanding at December 31, 2004 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$320,000	6.10%
Fire Truck Note	66,354	4.20%
Ohio Public Works Commission (OPWC) Loan	8,407	0%
Ohio Public Works Commission (OPWC) Loan	83,841	0%
Ohio Public Works Commission (OPWC) Loan	159,070	0%
Total	\$637,672	

The general obligation bonds were issued to renovate the municipal building and safety building and are direct obligations of the Village for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the Village. The Municipal Building Bonds were issued in the amount of \$650,000 on March 1, 1992 and will be repaid by December 1, 2011.

The Ohio Public Works Commission (OPWC) loans relate to a well field transmission line project and a waterline replacement project. The loans are collateralized by water receipts.

The fire truck note was entered into for \$73,000 at an interest rate of 4.20% for the purchase of a new fire truck. The note was approved on April 26, 2004 for a period of 5 years.

Amortization of the above debt, including interest, follows:

Year ending December 31:	General Obligation Bonds	Fire Truck Note	OPWC Loans
2005	\$60,045	\$18,363	\$19,112
2006	62,526	18,364	19,112
2007	64,647	18,365	19,112
2008	61,408	18,367	19,112
2009	63,169	10,188	19,112
2010-2014	120,541		95,115
2015-2019			60,643
Total	\$432,336	\$83,647	\$251,318

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

7. RETIREMENT SYSTEMS

The Village's law enforcement officers and firefighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant and 24 percent of fire participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

The Village also provides health insurance for all full-time employees.

9. LANDFILL CLOSURE AND POSTCLOSURE COSTS

The Village landfill was taken over by Carroll County 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 shares in the estimated liability disclosed. The Village and the County have pending negotiations regarding the Village's share of the liability. The estimated liability for the landfill is \$2,495,328 for the closure costs and \$1,238,160 for postclosure costs. The estimated cost of landfill closure and postclosure care expenses is based on the amount that would be paid if all materials and services required to monitor and maintain the closed landfill were acquired as of December 31, 2000. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. The County and the Village have not yet agreed on the proportion of the liability for which the Village is responsible and an estimate is not currently determinable. As of the date of this report, the Village does not have a comprehensive plan for retiring this liability and is considering its options.

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

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

Village of Carrollton
Carroll County
80 Second Street SW
Carrollton, OH 44615-1539

To the Village Council:

We have audited the financial statements of the Village of Carrollton, Carroll County, (the Village) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated December 28, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated December 28, 2005, we reported an other matter involving internal control over financial reporting we did not deem a reportable condition.

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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item #2004-001. In a separate letter to the Village's management dated December 28, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the management and Village Council. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 28, 2005

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

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

FINDING NUMBER 2004-001

Ohio Rev. Code Section 5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless a certificate signed by the fiscal officer is attached. The fiscal officer must certify that the amount required for the order or contract has been lawfully appropriated and is in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

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 both at the time that the contract or order was made "then" at the time that the fiscal officer is completing the certification "now", sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrances, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance.

Amounts of less than \$3,000 (\$100 for counties) 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 Village.

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. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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 Village 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. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not always encumber funds at the time of the commitment. We noted 20 out of the 60 expenditures tested were not properly encumbered. Incurring obligations prior to the fiscal officer's certification could result in the Village spending more than appropriated. Unless the exceptions noted above are used, prior certification is not only required by statute but is 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 fiscal officer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Implementation of this recommendation may assist the Village in maintaining compliance with Ohio Revised Code.

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-31210-001	Revised Code 5705.41(D), failure to certify funds	NO	Not Corrected, will repeat for current year as finding #2004-001



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

VILLAGE OF CARROLLTON

CARROLL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 17, 2006**