

**VILLAGE OF CARROLLTON
CARROLL COUNTY
Single Audit
For the Year Ended December 31, 2013**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Carrollton, Carroll County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2013 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

July 16, 2014

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**VILLAGE OF CARROLLTON
CARROLL COUNTY**

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INDEPENDENT AUDITOR'S REPORT

June 27, 2014

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the **Village of Carrollton**, Carroll County, (the Village) as of and for the year ended December 31, 2013.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1B of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Carrollton, Carroll County, as of December 31, 2013, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

Other Matters

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Federal Awards Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the financial statements. We subjected this schedule to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2014, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



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

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts					
Property and Other Local Taxes	\$ 216,206	\$ 91,362	\$ -	\$ -	\$ 307,568
Municipal Income Tax	1,033,030	-	-	-	1,033,030
Intergovernmental	181,738	162,577	-	-	344,315
Special Assessments	-	42,214	-	-	42,214
Charges for Services	10,446	25,000	-	-	35,446
Fines, Licenses and Permits	99,221	24,145	-	-	123,366
Earnings on Investments	842	-	-	65	907
Miscellaneous	29,426	34,117	-	-	63,543
<i>Total Cash Receipts</i>	<u>1,570,909</u>	<u>379,415</u>	<u>-</u>	<u>65</u>	<u>1,950,389</u>
Cash Disbursements					
Current:					
Security of Persons and Property	636,731	95,249	-	-	731,980
Public Health Services	47,028	-	-	-	47,028
Leisure Time Activities	1,156	-	-	344	1,500
Community Environment	5,263	-	-	-	5,263
Transportation	288,431	131,826	-	-	420,257
General Government	358,710	240	-	-	358,950
Capital Outlay	9,898	93,464	-	-	103,362
Debt Service:					
Principal Retirement	-	39,667	-	-	39,667
Interest and Fiscal Charges	-	1,679	-	-	1,679
<i>Total Cash Disbursements</i>	<u>1,347,217</u>	<u>362,125</u>	<u>-</u>	<u>344</u>	<u>1,709,686</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>223,692</u>	<u>17,290</u>	<u>-</u>	<u>(279)</u>	<u>240,703</u>
Other Financing Receipts (Disbursements)					
Transfers In	-	200,000	-	-	200,000
Transfers Out	(400,000)	-	-	-	(400,000)
Other Financing Sources	24,857	2,522	-	-	27,379
Other Financing Uses	(17,122)	-	-	-	(17,122)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(392,265)</u>	<u>202,522</u>	<u>-</u>	<u>-</u>	<u>(189,743)</u>
<i>Net Change in Fund Cash Balances</i>	(168,573)	219,812	-	(279)	50,960
<i>Fund Cash Balances, January 1</i>	<u>1,486,434</u>	<u>469,797</u>	<u>527</u>	<u>18,730</u>	<u>1,975,488</u>
Fund Cash Balances, December 31					
Nonspendable	-	-	-	15,000	15,000
Restricted	-	689,609	527	3,451	693,587
Assigned	11,017	-	-	-	11,017
Unassigned	1,306,844	-	-	-	1,306,844
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,317,861</u>	<u>\$ 689,609</u>	<u>\$ 527</u>	<u>\$ 18,451</u>	<u>\$ 2,026,448</u>

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

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 1,470,053
Miscellaneous	13,684
	1,483,737
<i>Total Operating Cash Receipts</i>	<i>1,483,737</i>
Operating Cash Disbursements	
Personal Services	294,613
Employee Fringe Benefits	117,494
Contractual Services	751,339
Supplies and Materials	136,247
Other	350
	1,300,043
<i>Total Operating Cash Disbursements</i>	<i>1,300,043</i>
<i>Operating Income</i>	<i>183,694</i>
Non-Operating Receipts (Disbursements)	
Intergovernmental	1,620,528
Earnings on Investments	1
Debt Proceeds	956,560
Capital Outlay	(1,573,522)
Principal Retirement	(675,332)
Interest and Fiscal Charges	(84,796)
Other Financing Uses	(2,611)
	240,828
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>240,828</i>
Income (Loss) before Transfers	424,522
Transfers In	216,500
Transfers Out	(16,500)
	624,522
<i>Net Change in Fund Cash Balances</i>	<i>624,522</i>
<i>Fund Cash Balances, January 1</i>	<i>591,985</i>
<i>Fund Cash Balances, December 31</i>	<i>\$ 1,216,507</i>

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

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

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 directs the Village. The Village provides general government services, water and sewer utilities, maintenance of Village streets and alleys, park operations and police services. The Village contracts with Carroll County Sherriff's department to provide dispatch services. The Village supports a paid volunteer fire department through fire levies voted on by Village residents.

The Village participates in a joint venture. Note 9 to the financial statements provide additional information for this entity. This organization is:

Joint Venture:

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

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

B. Accounting Basis

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

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

C. Deposits

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

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 accounts for and reports all financial resources not accounted for and recorded in another fund.

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

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

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

Storm Sewer Fund – This fund receives a monthly charge from consumers of water and sewer users for construction, maintenance and repair of storm sewers.

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

3. Capital Project Funds

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

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

3. Permanent Funds

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

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

4. Enterprise Funds

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

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

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

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

4. Enterprise Funds (Continued)

WWTP Project Fund – This fund receives loan/grant proceeds from the Ohio Water Development Authority, USDA, CDBG and Ohio Public Works Commission and transfers from the sewer fund for the Village’s share of the project to finance a wastewater utility plant expansion until completion of the expansion. Loan payments are made from the sewer fund from user charges.

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, and object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2013 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

G. 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.

H. 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
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

2. EQUITY IN POOLED DEPOSITS

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

	2013
Demand Deposits	\$ 3,029,955
Certificates of Deposit	213,000
Total Deposits	\$ 3,242,955

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2013 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,620,550	\$ 1,595,766	\$ (24,784)
Special Revenue	537,550	581,937	44,387
Capital Projects	-	-	-
Permanent	100	65	(35)
Enterprise	4,102,624	4,277,326	174,702
Total	\$ 6,260,824	\$ 6,455,094	\$ 194,270

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,806,115	\$ 1,775,356	\$ 30,759
Special Revenue	625,319	362,125	263,194
Capital Projects	527	-	-
Permanent	2,100	344	1,756
Enterprise	4,317,339	3,652,804	664,535
Total	\$ 6,751,400	\$ 5,790,629	\$ 960,244

4. PROPERTY TAX

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

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

4. PROPERTY TAX (Continued)

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

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1% percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

6. DEBT

Debt outstanding at December 31, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Fire Equipment Bond	\$ 25,000	3.85%
OPWC Loan CT74M	396,000	0.00%
OPWC Loan CN26C	63,628	0.00%
OPWC Loan CN943	15,244	0.00%
OPWC Loan CN738	443	0.00%
OPWC Loan CT72M	433,333	0.00%
OPWC Loan CT34L	462,500	0.00%
OWDA Loan 4926	-	1.00%
OWDA Loan 5127	838,289	1.50%
OWDA Loan 6177	107,410	2.00%
OWDA Loan 6209	87,073	2.82%
OWDA Loan 6476	377,998	2.00%
OWDA Loan 6477	149,002	2.00%
USDA Bonds	3,256,700	2.13%
Copier Lease	4,609	6.10%
Total	<u>\$ 6,217,229</u>	

In 2010, the Village re-issued a Fire Equipment Bond for the Carrollton Fire Department in the amount of \$100,000 for a fire truck that was purchased in 2009. Bond counsel handling the transaction on behalf of the Village of Carrollton was Peck, Shaffer & Williams LLP of 65 East State Street, Suite 500, Columbus, Ohio, 43215. The bond was purchased by Huntington Bank. The bond is backed by the full faith and credit of the Village and matures January 1, 2015. A principal payment of \$25,000 and interest payment of \$1,669 was made in 2013 to Huntington Bank. The remaining principal balance of \$25,000 will be made by semi-annual payment due of \$12,500 as well as interest due until January 1, 2015.

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

6. DEBT (Continued)

The Ohio Public Works Commission (OPWC) CT74M Loan relates to the storm sewer improvement project for replacement of storm sewer lines in various areas of the Village. The project was started in 2009 and completed in 2010 with final payment to engineers and contractor in early January of 2011. This loan was issued March 13, 2009 in the amount of \$440,000 for 30 years at 0% interest and will be re-paid in semi-annual installments of \$7,333 over 30 years, payable on January 1 and July 1 of each year with final payment due January 1, 2041. This loan is secured by special storm water user fees. The Village has agreed to set user fees sufficient to cover the OPWC debt service requirements. The prior audit balance outstanding was erroneously reflected as \$410,677. The correct balance outstanding was \$410,667.

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

The Ohio Public Works Commission (OPWC) Loan CN943 relates to construction of the well field transmission line from the village well sites into the water treatment plant. The loan was issued August 30, 1995 in the amount of \$152,438 at the rate of 0% interest for 20 years. The loan will be repaid in semi-annual installments of \$3,812 over 20 years, payable on January 1 and July 1 of each year with the final payment due January 1, 2016. The loan is secured by water receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Ohio Public Works Commission (OPWC) Loan CN738 relates to a downtown water line improvement project for the replacement of waterlines in the downtown area. The loan was issued on April 15, 1994 in the amount of \$17,700 at 0% interest for 20 years. The loan will be repaid in semi-annual installments of \$443 over 20 years, payable on January 1 and July 1 of each year with final payment due July 1, 2014. The loan is secured by water receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Ohio Public Works Commission (OPWC) Loan CT72M relates to installation of new water tanks and meter upgrades for users of Village water. The loan was issued March 6, 2009 in the amount of \$500,000 at 0% interest for 30 years. The loan will be repaid in semi-annual installments of \$8,333 over 30 years, payable January 1 and July 1 of each year with final payment due January 1, 2040. The loan is secured by water receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements. The prior audit balance outstanding was erroneously reflected as \$458,333. The correct balance outstanding was \$450,000.

The Ohio Public Works Commission Loan #CT34L relates to the construction of the wastewater treatment plant project for the Village. The project is still under construction and the projected completion date is in mid- 2013. The loan was issued in the amount of \$500,000 at 0% interest. The loan is for a term of 20 years and payable January 1 and July 1 of each year in the amount of \$12,500, with final payment due July 1, 2032. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

6. DEBT (Continued)

The Ohio Water Development Authority (OWDA) Water Pollution Control Loan Fund (WPCLF) #4926 relates to the wastewater treatment plant replacement project for the Village. The loan was issued June 26, 2008 in the amount of \$467,858 at 1% interest for 5 years. The loan will be repaid in semi-annual installments in an amount invoiced by OWDA, payable January 1 and July 1 of each year with final payment due July 1, 2014. The loan is secured by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. The prior audit balance outstanding was erroneously reflected as \$142,815. The correct balance outstanding was \$67,286. The Village overpaid on this debt in 2013 by \$27,687 and is currently working on getting a reimbursement from OWDA. The balance of this loan is reflected as \$0 in the debt table above.

The Ohio Water Development Authority (OWDA) Loan #5127 relates to the water system improvements for replacement of water tanks and water meters. The loan was issued June 25, 2009 at the rate of 1.5% interest for 30 years with a maturity date of January 1, 2040. The loan will be repaid in semi-annual installments in an amount invoiced by OWDA, payable January 1 and July 1 of each year. The loan is secured by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. The prior audit balance outstanding was erroneously reflected as \$863,457. The correct balance outstanding was \$861,353.

The Ohio Water Development Authority (OWDA) Loan #6177 relates to a waterline replacement project on Second Street NW in the Village. The loan was issued April 26, 2012 in the original amount of \$118,877. The term of the loan is 30 years at 2% interest, with payments due January 1 and July 1 of each year beginning July 1, 2013 and final payment due January 1, 2043. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. No amortization schedule is currently available as the loan is still open and available for disbursement purposes. The prior audit balance outstanding was erroneously reflected as \$78,109. The correct balance outstanding was \$110,336.

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

The Ohio Water Development Authority (OWDA) Loan #6390 was issued in 2013 in the amount of \$429,560. The loan related to the new water treatment plant project. The loan was paid off in 2013.

The Ohio Water Development Authority (OWDA) Loan #6476 relates to the design and construction of the new water treatment plant project. The loan was issued June 27, 2013 in the original amount of \$2,835,727 for a period of 30 years at 2.00% interest with payments due July 1 and January of each year beginning 7/1/2014. The construction is not yet completed. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. No amortization schedule is currently available as the loan is still open and available for disbursement purposes.

The Ohio Water Development Authority (OWDA) Loan #6477 relates to a waterline replacement project on Brenner Road. The loan was issued June 27, 2013 in the original amount of \$149,960.94 for a period of 30 years at 2.00% interest with payments due January and July of each year, beginning July 1, 2014 with a maturity date of January 1, 2044. The project was completed in late 2013 and the principal outstanding balance as of December 31, 2013 is \$149,002. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

6. DEBT (Continued)

The Village financed the wastewater treatment plant through USDA, who issued bonds in the amount of \$3,310,000 along with a USDA Grant in the amount of \$2,660,000 for the project that was completed in 2013. One principal and interest payment was made in 2013 and the principal balance as of December 31, 2013 was \$3,256,700. The interest rate is 2.125% for a term of 40 years and will be repaid with sewer revenue. One payment of principal and interest will be made once a year until paid in full. There is also a Sewer Reserve Fund set up for which the Sewer Department sets aside \$1,031.24 per month until the fund reaches a balance of \$123,748 known as the "Minimum Reserve". The Village has agreed to set utility rates sufficient to cover the USDA debt service requirements.

The Village disbursed \$2,124 to pay lease costs on the Sharp MX-3110 Color Copier with paper stand through Dollar Bank Leasing, Corp. of which \$1,678 was applied to principal and \$446 was applied to interest. This lease was entered into on April 29, 2011 for the total cost of equipment being \$9,131 with a 60 month lease, expiring in April 2016. Monthly lease payments on the Sharp copier are made to Dollar Leasing Corp. in the amount of \$177 per month, which includes principal and interest.

Future lease payments are as follow:

2014	\$	2,124
2015		2,124
2016		708
Total Minimum Lease Payments		<u>4,956</u>
Less: Amount Representing Interest		(347)
Present Value of Minimum Lease Payments	\$	<u><u>4,609</u></u>

Amortization schedules were not available for OWDA Loans 6177 or 6476.

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

Year ending December 31:	Fire Bond	OPWC Loans	OWDA Loans	USDA Bond
2014	\$ 25,963	\$ 45,056	\$ 57,260	\$ 123,705
2015	-	74,560	57,260	123,647
2016	-	70,749	57,260	123,665
2017	-	66,938	57,260	123,658
2018	-	66,938	57,260	123,726
2019-2023	-	297,573	274,707	618,296
2024-2028	-	281,667	228,339	618,305
2029-2033	-	256,667	228,339	618,337
2034-2038	-	156,667	228,339	618,353
2039-2043	-	54,333	91,643	618,383
2044-2048	-	-	3,306	618,296
2049-2053	-	-	-	260,031
Total	<u>\$ 25,963</u>	<u>\$ 1,371,148</u>	<u>\$ 1,340,973</u>	<u>\$ 4,588,402</u>

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

7. RETIREMENT SYSTEMS

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other 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 these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013, OP&F participants contributed 10% of their wages. For 2013, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2013, OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

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.

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

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

Health Insurance

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

Life Insurance

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

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

9. JOINT VENTURE

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

The Village has taken steps to generate and stockpile funds for any portion of the Village's expenses including legal fees by establishing a special revenue account entitled "Landfill Closure Fund". Revenue is generated by the Village's exclusive trash contract, which was negotiated and renewed at the rate of \$2,500 per month from the trash hauler. Of this monthly amount \$2,000 is allocated to the Landfill Closure Fund and the other \$500 is allocated to the Street Maintenance Fund for maintenance of streets. The Landfill Closure Fund has a balance of \$385,864 as of December 31, 2013.

10. CONTINGENT LIABILITIES

The Village is not a defendant in any lawsuits as of the end of 2013.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

VILLAGE OF CARROLLTON
CARROLL COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2013

<u>Federal Grantor</u> Program or Cluster Title	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture</u>		
<i>Direct Award:</i>		
Water and Waste Disposal Systems for Rural Communities	10.760	<u>\$ 532,734</u>
Total U.S. Department of Agriculture		<u>532,734</u>
Total Federal Expenditures		<u>\$ 532,734</u>

See Accompanying Notes to this Schedule.

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2013**

Note A – Significant Accounting Policies

The accompanying Schedule of Federal Awards Expenditures (the Schedule) reports the Village's federal award programs' disbursements. The Schedule has been prepared on the cash basis of accounting.

Note B – Matching Requirements

Certain federal programs require the Village to contribute non-federal funds (matching funds) to support the federally-funded programs. The Village has met all matching requirements. The Schedule does not include the expenditure of non-federal matching funds.

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

June 27, 2014

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the **Village of Carrollton**, Carroll County, (the Village) as of and for the year ended December 31, 2013, and the related notes to the financial statements and have issued our report thereon dated June 27, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-001 described in the accompanying schedule of audit findings to be a material weakness.

Compliance and Other Matters

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

We did note a certain matter not requiring inclusion in this report that we communicated to management in a separate letter dated June 27, 2014.

Entity's Response to Findings

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

Purpose of this Report

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



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Marietta, Ohio

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

June 27, 2014

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

To the Village Council:

Report on Compliance for the Major Federal Program

We have audited the **Village of Carrollton's** (the Village) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Village of Carrollton's major federal program for the year ended December 31, 2013. The *Summary of Audit Results* in the accompanying schedule of audit findings identifies the Village's major federal program.

Management's Responsibility

The Village's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the Village's compliance for the Village's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Village's major program. However, our audit does not provide a legal determination of the Village's compliance.

Opinion on the Major Federal Program

In our opinion, the Village of Carrollton complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2013.

Report on Internal Control Over Compliance

The Village's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Village's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Village's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



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

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**SCHEDULE OF AUDIT FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2013**

1. SUMMARY OF AUDIT RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Water and Waste Disposal Systems for Rural Communities – CFDA #10.760
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2013-001

Material Weakness

Posting Receipts, Disbursements and Fund Balances

Receipts and disbursements should be posted to the fund and line item accounts as established by Ohio Administrative Code. Fund Balances should be properly classified based on Governmental Accounting Standards Board Statement No. 54.

Receipts, disbursements and fund balances were not always posted correctly. The following posting errors were noted:

- Fund balance amounts in the General Fund were classified as Committed; however, no formal Council resolution was approved. Amounts should have been classified as Unassigned.

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**SCHEDULE OF AUDIT FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2013**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2013-001 (Continued)

Posting of Receipts, Disbursements and Fund Balances (Continued)

- Fund balance amount in the Special Revenue Landfill Closure Fund was misclassified as Committed; however, no formal Council resolution was approved. Amount should have been classified as Restricted.
- Fund balance amounts were misclassified as Assigned in the following Special Revenue Funds: Street Construction, Maintenance and Repair Fund; State Highway; Storm Sewer; Fire Department; and Drug Law Enforcement. Amounts should have been classified as Restricted.
- Fund balance amount in the Capital Project Fund was misclassified as Assigned. Amount should have been classified as Restricted.
- Debt Proceeds receipts were misclassified as Intergovernmental in the Water Operating Fund.
- Principal Retirement disbursements were misclassified as Capital Outlay in the Water Operating Fund.
- Donations were misclassified as Extraordinary Item in the General Fund and Special Items in the Fire Department Fund. Donation amounts should have been classified as Miscellaneous.

Not posting receipts and disbursements or classifying fund balances accurately resulted in the financial statements requiring reclassifications. The financial statements reflect all reclassifications.

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

We also recommend the Clerk-Treasurer refer to Ohio Administrative Code Section 117-7-01 and/or the Ohio Village Handbook for guidance to determine proper establishment of receipt and disbursement accounts and posting of receipts and disbursements. We also recommend the Fiscal Officer refer to Auditor of State Bulletin 2011-004 to determine proper classification of Fund Balances.

Officials' Response – We will make above changes.

3. FINDINGS FOR FEDERAL AWARDS

None



Dave Yost • Auditor of State

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
JULY 29, 2014