



**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2005



**Auditor of State
Betty Montgomery**

VILLAGE OF CARROLL
FAIRFIELD COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Carroll, Fairfield County, Ohio (the Village), as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Carroll, Fairfield County, Ohio, as of December 31, 2005, and the respective changes in modified cash financial position and the respective budgetary comparisons for the General and Street Construction Maintenance and Repair Funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2005, the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

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In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Betty Montgomery
Auditor of State

October 18, 2006

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

This discussion and analysis of the financial performance of the Village of Carroll, Fairfield County, Ohio (the Village) provides an overall review of the Village's financial activities for the year ended December 31, 2005, within the limitations of the Village's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2005 are as follows:

Net assets in Governmental Activities increased \$46,685 and in Business Type Activity increased \$22,282 in 2005.

The Village's general receipts are primarily unrestricted grants, property and other taxes, and income taxes. These receipts represent respectively 10, 11, and 54 percent of the total cash received for governmental activities during the year. Property and income tax receipts for 2005 changed very little compared to 2004, development within the Village has slowed.

The Village's program receipts in the Business Type Activity are charges for service. These receipts represent 99 percent of total cash received for the business type activities during the year. Charges for service receipts for 2005 changed very little compared to 2004. Water and sewer usage was about the same in 2005 as it was in 2004.

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

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

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

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

Reporting the Village as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

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

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

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

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

Reporting the Village's Most Significant Funds

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

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides.

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

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

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has four major enterprise funds, the Water Fund, Sewer Fund, Water Surplus, and Capital Improvement Charge fund.

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

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2005 compared to 2004 on a modified cash basis:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets						
Cash and Cash Equivalents	162,165	115,480	250,095	227,813	412,260	343,293
Total Assets	<u>162,165</u>	<u>115,480</u>	<u>250,095</u>	<u>227,813</u>	<u>412,260</u>	<u>343,293</u>
Net Assets						
Restricted for:						
Other Purposes	43,409	35,306	0	0	43,409	35,306
Unrestricted	118,756	80,174	250,095	227,813	368,851	307,987
Total Net Assets	<u>\$162,165</u>	<u>\$115,480</u>	<u>\$250,095</u>	<u>\$227,813</u>	<u>\$412,260</u>	<u>\$343,293</u>

Net assets of governmental activities increased \$46,685 or 40 percent during 2005. The primary reasons contributing to the increases in cash balances are as follows:

- The General Fund increased due to a \$33,444 decrease in disbursements related to transportation (\$16,631) and general government (\$16,813).
- The Permissive Motor Vehicle License Fund increased due to an \$8,584 decrease in disbursements related to transportation.

Net assets of business type activities increased \$22,282 or 10%.

Table 2 reflects the charges in net assets in 2005. Since the Village did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

(Table 2)
Changes in Net Assets

	Governmental Activities 2005
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$9,420
Operating Grants and Contributions	33,181
Total Program Receipts	42,601
General Receipts:	
Property and Other Local Taxes	18,053
Income Taxes	127,937
Other Taxes	8,834
Grants and Entitlements Not Restricted to Specific Programs	22,754
Earnings on Investments	11,626
Miscellaneous	5,742
Total General Receipts	194,946
Total Receipts	237,547
Disbursements:	
Security of Persons and Property:	64,761
Public Health Services	2,133
Leisure Time Activities	2,293
Community Environment	6,425
Transportation	31,760
General Government	59,513
Capital Outlay	5,000
Principal Retirement	18,310
Interest and Fiscal Charges	167
Total Disbursements	190,362
Excess (Deficiency) Before Transfers	47,185
Transfers	(500)
Increase (Decrease) in Net Assets	46,685
Net Assets, January 1, 2005	115,480
Net Assets, December 31, 2005	\$162,165
	Business Type Activities 2005
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$203,606
Total Program Receipts	203,606
General Receipts:	
Miscellaneous Receipts	1,579
Total General Receipts	1,579
Total Receipts	205,185
Disbursements:	
Water Operating	35,833
Sewer Operating	52,916
Capacity Charge/New On-line Customers	29
Capital Improvement Charge	1,495
Utility Deposit	392
OWDA Loan	43,573
Municipal Building Loan	9,238
Water Surplus	38,118
Sewer Replacement and Improvement	1,809
Total Disbursements	183,403
Excess (Deficiency) Before Transfers	21,782
Transfers	500
Increase (Decrease) in Net Assets	22,282
Net Assets, January 1, 2005	227,813
Net Assets, December 31, 2005	\$250,095

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Governmental Activities

Program receipts represent only 18 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, and building permits and inspection fees.

General receipts represent 82 percent of the Village's total receipts, and of this amount, over 79 percent are local taxes. Other receipts are very insignificant and somewhat unpredictable revenue sources.

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

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

If you look at the Statement of Activities on page 12, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for transportation and security of persons and property, which account for 17 and 34 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 31 percent. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

	Total Cost Of Services 2005	Net Cost of Services 2005
Security of Persons and Property	64,761	(64,761)
Public Health Services	2,133	(2,133)
Leisure Time Activities	2,293	(2,293)
Community Environment	6,425	(6,353)
Transportation	31,760	1,421
General Government	\$59,513	(50,165)
Capital Outlay	5,000	(5,000)
Principal Retirement	18,310	(18,310)
Interest and Fiscal Charges	167	(167)
Total Expenses	\$190,362	(\$147,761)

The dependence upon property and income tax receipts is apparent as 78 percent of governmental activities are supported through these general receipts.

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Business-type Activities

Net assets of business type activities increased by \$22,282. The Village increased sewer rates during year. Also the Village received a payment from Bloom Carroll School District for \$11,867 for connection to the sewer line.

The Village's Funds

Total governmental funds had receipts of \$237,547 and disbursements of \$190,362. The greatest change from 2004 to 2005 within governmental funds occurred within the General Fund and Permissive Motor Vehicle Fund. The fund balance of the General increased \$38,582 as a result of a decrease in disbursement related to transportation of \$16,631 and general government of \$16,813. The fund balance of the Permissive Motor Vehicle increased \$8,102 due to an \$8,584 decrease in disbursements related to transportation.

General Fund Budgeting Highlights

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

During 2005, the Village amended its General Fund budget one time to reflect changing circumstances. Actual receipts exceeded final budgeted receipts due to higher than expected growth in property tax, income tax receipts, inheritance tax, court costs, and interest.

Final disbursements were budgeted at \$224,999 while actual disbursements were \$162,925, which was 27 percent below budget amounts.

Capital Assets and Debt Administration

Capital Assets

The Village does not report its capital assets and infrastructure.

Debt

At December 31, 2005, the Village's outstanding debt included \$426,455 in OWDA loans issued for installation of a central sewage system. For further information regarding the Village's debt, refer to Note 11 to the basic financial statements.

Current Issues

The challenge for all Villages is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. Our newly prepared budget is finished and does not predict a deficit for 2006.

Contacting the Village's Financial Management

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

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2005**

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$162,164.55	\$250,094.77	\$412,259.32
<i>Total Assets</i>	<i>\$162,164.55</i>	<i>\$250,094.77</i>	<i>\$412,259.32</i>
 Net Assets			
Restricted for:			
Other Purposes	43,408.86	0.00	43,408.86
Unrestricted	118,755.69	250,094.77	368,850.46
<i>Total Net Assets</i>	<i>\$162,164.55</i>	<i>\$250,094.77</i>	<i>\$412,259.32</i>

See accompanying notes to the basic financial statements

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Security of Persons and Property	\$64,760.63	\$0.00	\$0.00	(\$64,760.63)	\$0.00	(\$64,760.63)
Public Health Services	2,133.50	0.00	0.00	(2,133.50)	0.00	(2,133.50)
Leisure Time Activities	2,292.68	0.00	0.00	(2,292.68)	0.00	(2,292.68)
Community Environment	6,425.17	72.00	0.00	(6,353.17)	0.00	(6,353.17)
Transportation	31,759.54	0.00	33,180.79	1,421.25	0.00	1,421.25
General Government	59,513.36	9,348.00	0.00	(50,165.36)	0.00	(50,165.36)
Capital Outlay	5,000.00	0.00	0.00	(5,000.00)	0.00	(5,000.00)
Debt Service:						
Principal	18,310.00	0.00	0.00	(18,310.00)	0.00	(18,310.00)
Interest	166.84	0.00	0.00	(166.84)	0.00	(166.84)
Total Governmental Activities	190,361.72	9,420.00	33,180.79	(147,760.93)	0.00	(147,760.93)
Business Type Activities						
Water Operating	35,833.09	66,299.50	0.00	0.00	30,466.41	30,466.41
Sewer Operating	52,916.11	71,801.30	0.00	0.00	18,885.19	18,885.19
Capacity Charge/New on-line Customers	28.50	3,563.83	0.00	0.00	3,535.33	3,535.33
Capitol Improvement Charge Fund	1,494.88	49,149.72	0.00	0.00	47,654.84	47,654.84
Utilities Deposit Fund	392.46	1,650.00	0.00	0.00	1,257.54	1,257.54
OWDA Loan	43,573.26	0.00	0.00	0.00	(43,573.26)	(43,573.26)
Municipal Building Loan	9,237.20	0.00	0.00	0.00	(9,237.20)	(9,237.20)
Water Surplus	38,118.40	0.00	0.00	0.00	(38,118.40)	(38,118.40)
Sewer Replacement & Improvement	1,809.00	11,141.03	0.00	0.00	9,332.03	9,332.03
Total Business Type Activities	183,402.90	203,605.38	0.00	0.00	20,202.48	20,202.48
Total Primary Government	\$373,764.62	\$213,025.38	\$33,180.79	(\$147,760.93)	\$20,202.48	(\$127,558.45)
General Receipts						
Property Taxes				\$18,052.84	\$0.00	\$18,052.84
Municipal Income Taxes				127,936.77	0.00	127,936.77
Other Taxes				8,833.76	0.00	8,833.76
Grants and Entitlements not Restricted to Specific Programs				22,753.96	0.00	22,753.96
Earnings on Investments				11,625.95	0.00	11,625.95
Miscellaneous				5,742.29	1,579.32	7,321.61
Total General Receipts				194,945.57	1,579.32	196,524.89
Transfers				(500.00)	500.00	0.00
Total General Receipts and Transfers				194,445.57	2,079.32	196,524.89
Change in Net Assets				46,684.64	22,281.80	68,966.44
Net Assets Beginning of Year				115,479.91	227,812.97	343,292.88
Net Assets End of Year				162,164.55	250,094.77	412,259.32

See accompanying notes to the basic financial statements

VILLAGE OF CARROLL
FAIRFIELD COUNTY

STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2005

	GENERAL	STREET CONSTRUCTION MAINTENANCE & REPAIR	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Assets				
Equity in Pooled Cash and Cash Equivalents	\$118,755.69	\$32,565.67	\$10,843.19	\$162,164.55
<i>Total Assets</i>	<u>\$118,755.69</u>	<u>\$32,565.67</u>	<u>\$10,843.19</u>	<u>\$162,164.55</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	6,803.77	45.34	0.00	6,849.11
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	111,951.92	0.00	0.00	111,951.92
Special Revenue Funds	0.00	32,520.33	10,843.19	43,363.52
<i>Total Fund Balances</i>	<u>\$118,755.69</u>	<u>\$32,565.67</u>	<u>\$10,843.19</u>	<u>\$162,164.55</u>

See accompanying notes to the basic financial statements

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN MODIFIED CASH BASIS
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	GENERAL	STREET CONSTRUCTION MAINTENANCE & REPAIR	OTHER GOVERNMENTAL FUNDS	TOTAL
Receipts				
Property and Other Local Taxes	\$18,052.84	\$0.00	\$6,982.02	\$25,034.86
Municipal Income Taxes	127,936.77	0.00	0.00	127,936.77
Intergovernmental	22,753.96	33,180.79	0.00	55,934.75
Charges for Services	1,999.98	0.00	0.00	1,999.98
Fines, Licenses and Permits	10,075.74	0.00	1,196.00	11,271.74
Earnings on Investments	10,141.14	1,194.36	290.45	11,625.95
Miscellaneous	3,742.31	0.00	0.00	3,742.31
Total Receipts	194,702.74	34,375.15	8,468.47	237,546.36
Disbursements				
Current:				
Security of Persons and Property	64,387.81	0.00	372.82	64,760.63
Public Health Services	2,133.50	0.00	0.00	2,133.50
Leisure Time Activities	2,292.68	0.00	0.00	2,292.68
Community Environment	6,425.17	0.00	0.00	6,425.17
Transportation	2,391.38	25,552.17	3,815.99	31,759.54
General Government	59,513.36	0.00	0.00	59,513.36
Capital Outlay	0.00	5,000.00	0.00	5,000.00
Debt Service:				
Principal Retirement	18,310.00	0.00	0.00	18,310.00
Interest and Fiscal Charges	166.84	0.00	0.00	166.84
Total Disbursements	155,620.74	30,552.17	4,188.81	190,361.72
Excess of Receipts Over (Under) Disbursements	39,082.00	3,822.98	4,279.66	47,184.64
Other Financing Sources (Uses)				
Transfers Out	(500.00)	0.00	0.00	(500.00)
Total Other Financing Sources (Uses)	(500.00)	0.00	0.00	(500.00)
Net Change in Fund Balances	38,582.00	3,822.98	4,279.66	46,684.64
Fund Balances Beginning of Year	80,173.69	28,742.69	6,563.53	115,479.91
Fund Balances End of Year	\$118,755.69	\$32,565.67	\$10,843.19	\$162,164.55

See accompanying notes to the basic financial statements

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$16,000.00	\$16,000.00	\$18,052.84	\$2,052.84
Municipal Income Taxes	125,000.00	125,000.00	127,936.77	2,936.77
Intergovernmental	17,670.00	17,670.00	22,753.96	5,083.96
Charges for Services	0.00	0.00	1,999.98	1,999.98
Fines, Licenses and Permits	9,860.00	9,860.00	10,075.74	215.74
Earnings on Investments	7,600.00	7,600.00	10,141.14	2,541.14
Miscellaneous	2,560.00	4,574.92	3,742.31	(832.61)
<i>Total receipts</i>	<u>178,690.00</u>	<u>180,704.92</u>	<u>194,702.74</u>	<u>13,997.82</u>
Disbursements				
Current:				
Security of Persons and Property	72,200.00	76,814.58	65,577.71	11,236.87
Public Health Services	2,133.50	2,133.50	2,133.50	0.00
Leisure Time Activities	3,830.00	3,639.00	2,292.68	1,346.32
Community Environment	7,175.00	8,002.47	6,445.17	1,557.30
Transportation	24,725.00	13,396.03	2,391.38	11,004.65
General Government	94,662.60	96,076.70	65,107.23	30,969.47
Debt Service:				
Principal Retirement	0.00	18,310.00	18,310.00	0.00
Interest and Fiscal Charges	9,600.00	166.84	166.84	0.00
<i>Total Disbursements</i>	<u>214,326.10</u>	<u>218,539.12</u>	<u>162,424.51</u>	<u>56,114.61</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(35,636.10)</u>	<u>(37,834.20)</u>	<u>32,278.23</u>	<u>70,112.43</u>
Other Financing Sources (Uses)				
Transfers Out	(500.00)	(500.00)	(500.00)	0.00
Other Financing Uses	(7,726.59)	(5,960.59)	0.00	5,960.59
<i>Total Other Financing Sources (Uses)</i>	<u>(8,226.59)</u>	<u>(6,460.59)</u>	<u>(500.00)</u>	<u>5,960.59</u>
<i>Net Change in Fund Balance</i>	(43,862.69)	(44,294.79)	31,778.23	76,073.02
<i>Fund Balance Beginning of Year</i>	79,741.59	79,741.59	79,741.59	0.00
Prior Year Encumbrances Appropriated	432.10	432.10	432.10	0.00
<i>Fund Balance End of Year</i>	<u>\$36,311.00</u>	<u>\$35,878.90</u>	<u>\$111,951.92</u>	<u>\$76,073.02</u>

See accompanying notes to the basic financial statements

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
STREET CONSTRUCTION, MAINTENANCE, AND REPAIR FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	34,000.00	34,000.00	33,180.79	(819.21)
Earnings on Investments	242.72	242.72	1,194.36	951.64
<i>Total receipts</i>	<u>34,242.72</u>	<u>34,242.72</u>	<u>34,375.15</u>	<u>132.43</u>
Disbursements				
Current:				
Transportation	38,456.41	38,546.41	25,597.51	12,948.90
Capital Outlay	5,000.00	5,000.00	5,000.00	0.00
<i>Total Disbursements</i>	<u>43,456.41</u>	<u>43,546.41</u>	<u>30,597.51</u>	<u>12,948.90</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(9,213.69)</u>	<u>(9,303.69)</u>	<u>3,777.64</u>	<u>13,081.33</u>
<i>Fund Balance Beginning of Year</i>	28,652.69	28,652.69	28,652.69	0.00
Prior Year Encumbrances Appropriated	<u>90.00</u>	<u>90.00</u>	<u>90.00</u>	<u>0.00</u>
<i>Fund Balance End of Year</i>	<u>\$19,529.00</u>	<u>\$19,439.00</u>	<u>\$32,520.33</u>	<u>\$13,081.33</u>

See accompanying notes to the basic financial statements

VILLAGE OF CARROLL
FAIRFIELD COUNTY

STATEMENT OF FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2005

	WATER OPERATING	SEWER OPERATING	CAPITAL IMPROVEMENT CHARGE	WATER SURPLUS	NONMAJOR ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS
Assets						
Equity in Pooled Cash and Cash Equivalents	\$82,080.13	\$33,515.34	\$95,823.98	\$9,269.55	\$29,405.77	\$250,094.77
<i>Total Assets</i>	<u>\$82,080.13</u>	<u>\$33,515.34</u>	<u>\$95,823.98</u>	<u>\$9,269.55</u>	<u>\$29,405.77</u>	<u>\$250,094.77</u>
Net Assets						
Unrestricted	\$82,080.13	\$33,515.34	\$95,823.98	\$9,269.55	\$29,405.77	\$250,094.77
<i>Total Net Assets</i>	<u>\$82,080.13</u>	<u>\$33,515.34</u>	<u>\$95,823.98</u>	<u>\$9,269.55</u>	<u>\$29,405.77</u>	<u>\$250,094.77</u>

See accompanying notes to the basic financial statements

VILLAGE OF CARROLL
FAIRFIELD COUNTY

STATEMENT OF CASH RECEIPTS,
DISBURSEMENTS AND CHANGES IN FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	WATER OPERATING TOTAL	SEWER OPERATING TOTAL	CAPITAL IMPROVEMENT CHARGE TOTAL	WATER SURPLUS	OTHER ENTERPRISE FUNDS TOTAL	TOTAL ENTERPRISE FUNDS
Operating Receipts						
Charges for Services	\$66,299.50	\$71,801.30	\$49,149.72	\$0.00	\$16,354.86	\$203,605.38
<i>Total Operating Receipts</i>	<u>66,299.50</u>	<u>71,801.30</u>	<u>49,149.72</u>	<u>0.00</u>	<u>16,354.86</u>	<u>203,605.38</u>
Operating Disbursements						
Personal Services	14,775.61	14,362.70	0.00	0.00	0.00	29,138.31
Employee Fringe Benefits	1,158.05	2,567.80	0.00	0.00	0.00	3,725.85
Contractual Services	15,979.72	22,584.08	1,494.88	35,000.00	0.00	75,058.68
Supplies and Materials	3,919.71	13,401.53	0.00	3,118.40	28.50	20,468.14
Other	0.00	0.00	0.00	0.00	392.46	392.46
<i>Total Operating Disbursements</i>	<u>35,833.09</u>	<u>52,916.11</u>	<u>1,494.88</u>	<u>38,118.40</u>	<u>420.96</u>	<u>128,783.44</u>
<i>Operating Income (Loss)</i>	<u>30,466.41</u>	<u>18,885.19</u>	<u>47,654.84</u>	<u>(38,118.40)</u>	<u>15,933.90</u>	<u>74,821.94</u>
Non-Operating Receipts (Disbursements)						
Miscellaneous Receipts	657.80	921.52	0.00	0.00	0.00	1,579.32
Capital Outlay	0.00	0.00	0.00	0.00	(1,809.00)	(1,809.00)
Principal Payments	(4,577.00)	(4,577.00)	(34,357.04)	0.00	0.00	(43,511.04)
Interest and Fiscal Charges	(41.60)	(41.60)	(9,216.22)	0.00	0.00	(9,299.42)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(3,960.80)</u>	<u>(3,697.08)</u>	<u>(43,573.26)</u>	<u>0.00</u>	<u>(1,809.00)</u>	<u>(53,040.14)</u>
<i>Income (Loss) before Transfers</i>	<u>26,505.61</u>	<u>15,188.11</u>	<u>4,081.58</u>	<u>(38,118.40)</u>	<u>14,124.90</u>	<u>21,781.80</u>
Transfers In	958.71	393.11	55.09	0.00	7,850.63	9,257.54
Transfers Out	0.00	(7,800.00)	0.00	0.00	(957.54)	(8,757.54)
<i>Change in Net Assets</i>	<u>27,464.32</u>	<u>7,781.22</u>	<u>4,136.67</u>	<u>(38,118.40)</u>	<u>21,017.99</u>	<u>22,281.80</u>
<i>Net Assets Beginning of Year</i>	<u>54,615.81</u>	<u>25,734.12</u>	<u>91,687.31</u>	<u>47,387.95</u>	<u>8,387.78</u>	<u>227,812.97</u>
<i>Net Assets End of Year</i>	<u>\$82,080.13</u>	<u>\$33,515.34</u>	<u>\$95,823.98</u>	<u>\$9,269.55</u>	<u>\$29,405.77</u>	<u>\$250,094.77</u>

See accompanying notes to the basic financial statements

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Note 1 – Reporting Entity

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

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

A. Primary Government

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

B. Component Units

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village.

The Village of Carroll has no component units.

C. Joint Ventures

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

The Village participates in the Public Entities Pool of Ohio (PEP), a risk sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductions. Note 12 to the financial statements provides additional information for this entity.

The Village appoints a person to represent the Village on the 48 member board of the Fairfield County Regional Planning Commission. The Village pays a small membership fee annually. The fee is based on the per capita of the Village. There is no ongoing financial interest of responsibility by the Village.

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 2 – Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

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

B. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories, governmental, proprietary, and fiduciary.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village's major governmental funds in 2005 are the General Fund and Street Construction Maintenance and Repair Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio. The Street Construction Maintenance and Repair Fund is used to account for monies received from gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets. The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

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

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

Water Fund – This fund accounts for water services provided to Village residents and commercial users.

Sewer Fund – This fund accounts for sanitary sewer services provided to Village residents and commercial users.

Capital Improvement Charge (CIC) Fund – The CIC fund accounts for the provision of repayment of OWDA loan for installing central sewage system.

Water Surplus Fund – This fund accounts for resources and expenses for the provision of potable water services.

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The Village has no trust funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village's agency fund, the Mayors Court Fund, accounts for gross money received from Mayor's Court Fines. A portion of the money belongs to the state of Ohio and a portion to the Village. The gross receipts are receipted into the agency fund then disbursed. No Statement of Fiduciary Assets and Liabilities is presented because the fund had no assets or liabilities at December 31, 2005.

C. Basis of Accounting

The Village's financial statements are prepared using the modified cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

D. Budgetary Process

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

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

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

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

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

E. Cash

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

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. During 2005, interest receipts credited to the General Fund during were \$10,141, including \$6,900 assigned from other funds.

F. Inventory and Prepaid Items

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

G. Capital Assets

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

H. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

I. Long-Term Obligations

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

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for Street and Permissive Fund. The Village’s policy is to first apply restricted resources when an obligation is incurred for purpose for which both restricted and unrestricted net assets.

K. Fund Balance Reserves

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. In 2005, reserve for encumbrances totaled \$6,804 in the General Fund and \$45 in the Street Construction Maintenance and Repair Fund. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

L. Interfund Transactions

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

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

Note 3 – Change in Basis of Accounting

In 2004, the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. In 2005, the Village has implemented the modified cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund and Street Construction Maintenance and Repair Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). In 2005, the encumbrances outstanding at year end (budgetary basis) amounted to \$6,804 for the General Fund and \$45 for the Street Construction Maintenance and Repair Fund.

Note 5 – Deposits and Investments

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

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

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

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

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 5 – Deposits and Investments (continued)

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

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

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

At year end, the Village had no undeposited cash on hand.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2005, \$320,792 of the Village's bank balance of \$420,792 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village has a deposit policy for custodial risk beyond the requirements of State statute as follows: limiting investments to the safest types of securities where there is certainty of receiving full par value plus accrued interest, at the securities' legal final maturity; pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which an entity will do business; and diversifying the investment portfolio so that potential losses on individual securities will be minimized. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

The Village had no investments as of December 31, 2005.

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 6 – Income Taxes

The Village levies a ¾ percent income tax whose proceeds are placed into the General Fund. The Village levies and contracts with Timothy Oatney, Tax Administrator, to collect the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of ¼ percent of the taxable income for taxes paid to another city. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

Note 7 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2005, was \$4.90 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential	\$5,741,560
Agriculture	38,620
Commercial/Industrial/Mineral	2,157,230
Public Utility Property	
Real	0
Personal	405,090
Tangible Personal Property	627,510
Total Assessed Value	<u>\$8,970,010</u>

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 8 – Risk Management

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

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

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

Casualty Coverage

PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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

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

Members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 8 – Risk Management (continued)

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005:

<u>Casualty Coverage</u>	<u>2005</u>
Assets	\$29,719,675
Liabilities	(15,994,168)
Retained earnings	<u>\$13,725,507</u>

<u>Property Coverage</u>	<u>2005</u>
Assets	\$4,443,332
Liabilities	(1,068,245)
Retained earnings	<u>\$3,375,087</u>

The Casualty Coverage assets and retained earnings above include approximately \$14.3 million of unpaid claims to be billed to approximately 430 member governments in the future, as of December 31, 2005. PEP will collect these amounts in future annual premium billings when PEP's related liabilities are due for payment. The Village's share of these unpaid claims is approximately \$20,112.

Note 9 – Defined Benefit Pension Plans

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2005 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 9 – Defined Benefit Pension Plans (continued)

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

The Village's required contributions for pension obligations to the traditional plan for the year ended December 31, 2005, was \$10,707.

Note 10 - Postemployment Benefits

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1 and 6 percent annually for the next eight years and 4 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$210,421. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which allows additional funds to be allocated to the healthcare fund.

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 11 – Debt

The Village's long-term debt activity for the year ended December 31, 2005, was as follows:

	Interest Rate	Balance January 1, 2005	Additions	Reductions	Balance December 31, 2005	Due Within One Year
<u>Governmental Activities</u>						
Municipal Building Loan	Var%	\$18,310	\$0	\$18,310	\$0	\$0
<u>Business-type Activities</u>						
OWDA Loan	2.00%	\$460,812	\$0	\$34,357	\$426,455	\$35,044
Municipal Building Loan	Var%	\$9,154	\$0	\$9,154	\$0	\$0
Total Business-type Activities		<u>\$469,966</u>	<u>\$0</u>	<u>\$43,511</u>	<u>\$426,455</u>	<u>\$35,044</u>

The Ohio Water Development Authority (OWDA) loan relates to a sewer system expansion project that was mandated by the Ohio Environmental Protection Agency. The loan will be repaid in semiannual installments of \$21,786.63 including interest, over 25 years. The loan is secured by Capital Improvement Charge receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Municipal Building Loan – On November 6, 1996 the Village refinanced the Municipal Building mortgage with First National. This loan was paid in full during 2005. The original amount of the mortgage was \$66,709. It was a 15-year mortgage with a variable interest rate which was originally 6%. The rate was calculated as 2.25% under the highest base rate on corporate loans at large U.S. money center commercial banks that the Wall Street Journal publishes as the prime rate. This mortgage was secured by the Municipal Building located at 68 Center Street.

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

Year	<u>OWDA Loan</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$35,044	\$8,529
2007	35,745	7,828
2008	36,460	7,113
2009	37,189	6,384
2010	37,933	5,640
2011-2015	201,352	16,513
2016-2017	<u>42,732</u>	<u>841</u>
Totals	<u>\$426,455</u>	<u>\$52,848</u>

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 11 – Debt (continued)

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2005, were an overall debt margin of \$941,851 and an unvoted debt margin of \$493,351.

Note 12 – Public Entity Risk Pool

The Village participates in the Public Entities Pool of Ohio (PEP), a risk sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductibles. Note 8 to the financial statements provide additional information for this entity.

Note 13 – Jointly Governed Organization

The Village appoints a person to represent the Village on the 48 member board of the Fairfield County Regional Planning Commission. The Village pays a small membership fee annually. The fee is based on the per capita of the Village. There is no ongoing financial interest of responsibility by the Village.

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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 Carroll
Fairfield County
68 Center Street
Carroll, Ohio 43112

To the Council:

We have audited the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Carroll, Fairfield County, Ohio (the Village) as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements and have issued our report thereon dated October 18, 2006, wherein we noted the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34. We also noted the Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). 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 opinions 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 October 18, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Village's management dated October 18, 2006, we reported other matters related to noncompliance we deemed immaterial.

Village of Carroll
Fairfield County
Independent Accountants' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the finance committee, management, and 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

October 18, 2006



**Auditor of State
Betty Montgomery**

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

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800-282-0370

Facsimile 614-466-4490

VILLAGE OF CARROLL

FAIRFIELD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 14, 2006**