



Dave Yost • Auditor of State

VILLAGE OF CARROLL
FAIRFIELD COUNTY

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Dave Yost • Auditor of State

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

To the Village Council:

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 26, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Carroll, Fairfield County, Ohio, (the Village) as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of the Village of Carroll, Fairfield County, Ohio, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Village of Carroll adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2012, 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.



Dave Yost
Auditor of State

July 26, 2012

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 15,229	\$ 6,226	\$ -	\$ 21,455
Municipal Income Tax	136,978	-	-	136,978
Intergovernmental	16,263	26,316	137,008	179,587
Charges for Services	14,667	-	-	14,667
Fines, Licenses and Permits	11,451	1,128	-	12,579
Earnings on Investments	17,349	1,284	-	18,633
Miscellaneous	6,646	-	-	6,646
<i>Total Cash Receipts</i>	<u>218,583</u>	<u>34,954</u>	<u>137,008</u>	<u>390,545</u>
Cash Disbursements				
Current:				
Security of Persons and Property	85,714	-	-	85,714
Public Health Services	1,989	-	-	1,989
Leisure Time Activities	5,264	-	-	5,264
Community Environment	7,973	-	-	7,973
Transportation	40,844	33,246	5,680	79,770
General Government	74,942	-	-	74,942
Capital Outlay	-	10,715	131,328	142,043
Debt Service:				
Principal Retirement	7,799	-	-	7,799
Interest and Fiscal Charges	164	-	-	164
<i>Total Cash Disbursements</i>	<u>224,689</u>	<u>43,961</u>	<u>137,008</u>	<u>405,658</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(6,106)</u>	<u>(9,007)</u>	<u>-</u>	<u>(15,113)</u>
Other Financing Receipts (Disbursements)				
Transfers Out	(500)	-	-	(500)
Advances In	15,000	-	-	15,000
<i>Total Other Financing Receipts (Disbursements)</i>	<u>14,500</u>	<u>-</u>	<u>-</u>	<u>14,500</u>
<i>Net Change in Fund Cash Balances</i>	8,394	(9,007)	-	(613)
<i>Fund Cash Balances, January 1</i>	<u>168,173</u>	<u>48,359</u>	<u>-</u>	<u>216,532</u>
Fund Cash Balances, December 31				
Restricted	-	39,352	-	39,352
Unassigned (Deficit)	176,567	-	-	176,567
<i>Fund Cash Balances, December 31</i>	<u>\$ 176,567</u>	<u>\$ 39,352</u>	<u>\$ -</u>	<u>\$ 215,919</u>

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

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$ 282,365	\$ -	\$ 282,365
Fines, Licenses and Permits	-	11,505	11,505
<i>Total Operating Cash Receipts</i>	<u>282,365</u>	<u>11,505</u>	<u>293,870</u>
Operating Cash Disbursements			
Personal Services	38,518	-	38,518
Employee Fringe Benefits	4,435	-	4,435
Contractual Services	153,901	-	153,901
Supplies and Materials	17,907	-	17,907
Other	413	11,505	11,918
<i>Total Operating Cash Disbursements</i>	<u>215,174</u>	<u>11,505</u>	<u>226,679</u>
<i>Operating Income</i>	<u>67,191</u>	<u>-</u>	<u>67,191</u>
Non-Operating Receipts (Disbursements)			
Earnings on Investments	93	-	93
Other Debt Proceeds	9,165	-	9,165
Miscellaneous Receipts	666	-	666
Capital Outlay	(807)	-	(807)
Principal Retirement	(60,713)	-	(60,713)
Interest and Other Fiscal Charges	(7,788)	-	(7,788)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(59,384)</u>	<u>-</u>	<u>(59,384)</u>
<i>Income before Transfers and Advances</i>	7,807	-	7,807
Transfers In	8,682	-	8,682
Transfers Out	(8,182)	-	(8,182)
Advances Out	(15,000)	-	(15,000)
<i>Net Change in Fund Cash Balances</i>	(6,693)	-	(6,693)
<i>Fund Cash Balances, January 1</i>	<u>342,947</u>	<u>-</u>	<u>342,947</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 336,254</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 336,254</u></u>

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

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Local Taxes	\$ 15,136	\$ 6,235	\$ 21,371
Municipal Income Tax	129,865	-	129,865
Intergovernmental	17,184	29,533	46,717
Charges for Services	4,000	-	4,000
Fines, Licenses and Permits	13,096	1,622	14,718
Earnings on Investments	16,948	1,286	18,234
Miscellaneous	6,372	700	7,072
	<u>202,601</u>	<u>39,376</u>	<u>241,977</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	94,731	-	94,731
Public Health Services	1,987	-	1,987
Leisure Time Activities	5,435	-	5,435
Community Environment	5,894	-	5,894
Transportation	19,909	33,960	53,869
General Government	82,245	700	82,945
Debt Service:			
Redemption of Principal	7,513	-	7,513
Interest and Fiscal Charges	469	-	469
Capital Outlay	-	1,000	1,000
	<u>218,183</u>	<u>35,660</u>	<u>253,843</u>
Total Receipts Over/(Under) Disbursements	<u>(15,582)</u>	<u>3,716</u>	<u>(11,866)</u>
Other Financing Disbursements:			
Transfers-Out	<u>(500)</u>	<u>-</u>	<u>(500)</u>
Total Other Financing Disbursements	<u>(500)</u>	<u>-</u>	<u>(500)</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(16,082)	3,716	(12,366)
Fund Cash Balances, January 1	<u>184,255</u>	<u>44,643</u>	<u>228,898</u>
Fund Cash Balances, December 31	<u>\$ 168,173</u>	<u>\$ 48,359</u>	<u>\$ 216,532</u>

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

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 275,324	\$ -	\$ 275,324
Fines, Licenses and Permits	-	15,010	15,010
Total Operating Cash Receipts	<u>275,324</u>	<u>15,010</u>	<u>290,334</u>
Operating Cash Disbursements:			
Personal Services	36,081	-	36,081
Employee Fringe Benefits	4,291	-	4,291
Contractual Services	163,796	-	163,796
Supplies and Materials	17,116	-	17,116
Other	227	15,010	15,237
Total Operating Cash Disbursements	<u>221,511</u>	<u>15,010</u>	<u>236,521</u>
Operating Income	<u>53,813</u>	<u>-</u>	<u>53,813</u>
Non-Operating Cash Receipts:			
Other Debt Proceeds	17,821	-	17,821
Miscellaneous Receipts	437	-	437
Total Non-Operating Cash Receipts	<u>18,258</u>	<u>-</u>	<u>18,258</u>
Non-Operating Cash Disbursements:			
Capital Outlay	25,486	-	25,486
Redemption of Principal	46,774	-	46,774
Interest and Other Fiscal Charges	8,636	-	8,636
Total Non-Operating Cash Disbursements	<u>80,896</u>	<u>-</u>	<u>80,896</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(8,825)	-	(8,825)
Transfers-In	9,102	-	9,102
Transfers-Out	<u>(8,602)</u>	<u>-</u>	<u>(8,602)</u>
Net Receipts Over/(Under) Disbursements	(8,325)	-	(8,325)
Fund Cash Balances, January 1	<u>351,272</u>	<u>-</u>	<u>351,272</u>
Fund Cash Balances, December 31	<u>\$ 342,947</u>	<u>\$ -</u>	<u>\$ 342,947</u>

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

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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 Carroll, Fairfield County, Ohio, (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, and maintenance of Village roads and police services.

The Village participates in the Fairfield Regional Planning Commission, a jointly governed organization and the Public Entity Pool of Ohio public entity risk pool. Notes 8 and 9 to the financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organization:

Fairfield Regional Planning Commission: The Village appoints a member of Council to represent the Village on the 48 member board of the Fairfield Regional Planning Commission.

Public Entity Risk Pool:

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.

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 and Investments

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

D. Fund Accounting

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

1. General Fund

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

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

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

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

3. Capital Project Funds

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

Other Capital Projects Fund - This fund accounts for activity for the paving project for West Canal Street.

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

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

Sewer Replacement and Improvement Fund – This fund receives charges for services from new residents to cover the sewer extension for Cemetery Road residents.

Capital Improvement Charge Fund – This fund receives charges for services from residents to cover the installment of the central sewage system.

5. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village had the following agency fund:

Mayor's Court Fund – This fund receives monies from the collections on fines imposed from tickets issued by the Village's police protection force. Funds are collected, in part, on behalf of the State of Ohio.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

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

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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. The Village did not encumber all commitments required by Ohio law.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011, 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 CARROLL
FAIRFIELD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(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.

2. Equity in Pooled Deposits

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

	2011	2010
Demand deposits	<u>\$552,173</u>	<u>\$559,479</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$205,537	\$218,583	\$13,046
Special Revenue	40,900	34,953	(5,947)
Capital Projects	137,008	137,008	0
Enterprise	287,154	300,971	13,817
Total	\$670,599	\$691,515	\$20,916

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$348,511	\$225,189	\$123,322
Special Revenue	73,697	43,961	29,736
Capital Projects	137,008	137,008	0
Enterprise	444,833	292,664	152,169
Total	\$1,004,049	\$698,822	\$305,227

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$214,394	\$202,601	(\$11,793)
Special Revenue	56,648	39,376	(17,272)
Enterprise	257,172	302,684	45,512
Total	\$528,214	\$544,661	\$16,447

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$348,217	\$218,683	\$129,534
Special Revenue	85,391	35,660	49,731
Enterprise	572,623	311,009	261,614
Total	\$1,006,231	\$565,352	\$440,879

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 CARROLL
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

4. Property Tax (Continued)

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. Local Income Tax

The Village levies a municipal income tax of 0.75 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.

The income tax was collected by Oatney and Associates (the tax administrator through August 2011) and RITA (the tax administrator September through December 2011), and remitted to the Village. Income tax receipts are credited to the Village's General Fund.

6. Debt

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan #CQ14L	\$379,654	0%
Ohio Water Development Authority Loan #4980	258,225	1%
Ohio Water Development Authority Loan #2633	205,392	2%
Total	<u>\$843,271</u>	

The Ohio Public Works Commission (OPWC) loan CQ14L relates to the Gravity Interceptor Sewer Improvement project the Ohio Environmental Protection Agency mandated and was issued in July of 2009. The total amount of the loan was \$392,745. The Village will repay the loan in semiannual installments of \$6,546, over 30 years beginning July 1, 2011. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The 2008 Ohio Water Development Authority (OWDA) loan 4980, issued for \$258,621, relates to a sewer expansion project that was mandated by the Ohio Environmental Protection Agency. The loan will be repaid in semiannual installments of \$5,918, including interest, over 30 years. The loan is secured by capital improvement charge receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The 1992 Ohio Water Development Authority (OWDA) loan 2633, issued for \$850,708, relates to a sewer expansion project that was mandated by the Ohio Environmental Protection Agency. The loan will be repaid in semiannual installments of \$21,787, including interest, over 25 years. The loan is secured by capital improvement charge receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

6. Debt (Continued)

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

Year ending December 31:	OWDA Loan #4980	OWDA Loan #2633	OPWC Loan #CQ14L
2012	\$11,837	\$43,573	\$13,091
2013	11,837	43,573	13,091
2014	11,837	43,573	13,091
2015	11,837	43,573	13,091
2016	11,837	43,573	13,091
2017-2021	59,185	21,787	65,459
2022-2026	59,185	0	65,459
2027-2031	59,185	0	65,459
2032-2036	59,185	0	65,459
2037-2040	23,674	0	52,363
Total	<u>\$319,599</u>	<u>\$239,652</u>	<u>\$379,654</u>

7. Retirement Systems

The Village's employees, including law enforcement, belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, law enforcement participants contributed 11.61 and 11.10 percent, respectively, of their wages. The Village contributed an amount equal to 18.10 and 17.87 percent of law enforcement wages, respectively. For 2011 and 2010, OPERS members contributed 10 percent 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, 2011.

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

8. Risk Management (Continued)

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2010, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

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, 2011 and 2010:

	2011	2010
Assets	\$33,362,404	\$34,952,010
Liabilities	(\$14,187,273)	(\$14,320,812)
Net Assets	\$19,175,131	\$20,631,198

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$12.9 million and \$14.1 million of estimated incurred claims payable. The assets above also include approximately \$12.1 million and \$12.4 million of unpaid claims to be billed to approximately 455 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Village's share of these unpaid claims collectible in future years is approximately \$12,180.

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

Contributions to PEP	
2011	2010
\$9,659	\$9,956

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP.

Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

VILLAGE OF CARROLL
FAIRFIELD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

9. Jointly Governed Organization

Fairfield Regional Planning Commission: The Village appoints a member of Council to represent the Village on the 48 member board of the Fairfield Regional Planning Commission. The Village pays a small membership fee annually based on the per capita of the Village. In 2011 and 2010, the Village's membership amount was \$131 and \$98, respectively. There is no ongoing financial responsibility by the Village.

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Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of Carroll, Fairfield County, Ohio, (the Village) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated July 26, 2012, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We noted the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We also noted 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(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 26, 2012.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

July 26, 2012

VILLAGE OF CARROLL
FAIRFIELD COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Financial Statement Presentation	No	Partially Corrected. Issued as a Management Letter Comment

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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
AUGUST 28, 2012