



Dave Yost • Auditor of State

VILLAGE OF CARROLLTON
CARROLL COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Carrollton
Carroll County
80 Second Street S.W.
Carrollton, Ohio 44615

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Village of Carrollton, Carroll County, (the "Village") as of and for the year ended December 31, 2012.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Carrollton, Carroll County as of December 31, 2012, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1B.

Other Matters

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2013 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

June 24, 2013

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VILLAGE OF CARROLLTON
CARROLL COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$204,401	\$89,251			\$293,652
Municipal Income Tax	944,323				944,323
Intergovernmental	153,145	179,286	\$307,000		639,431
Special Assessments		41,553			41,553
Charges for Services	10,047				10,047
Fines, Licenses and Permits	78,583	54,105			132,688
Earnings on Investments	1,013	5			1,018
Miscellaneous	3,645	60,923			64,568
<i>Total Cash Receipts</i>	<u>1,395,157</u>	<u>425,123</u>	<u>307,000</u>		<u>2,127,280</u>
Cash Disbursements					
Current:					
Security of Persons and Property	494,369	91,860			586,229
Public Health Services	21,400				21,400
Leisure Time Activities	22,579			\$585	23,164
Community Environment	5,220				5,220
Transportation	276,906	119,160	73		396,139
General Government	356,551				356,551
Capital Outlay	27,812	141,634	372,500		541,946
Debt Service:					
Principal Retirement & Interest and Fiscal Charges		64,268			64,268
<i>Total Cash Disbursements</i>	<u>1,204,837</u>	<u>416,922</u>	<u>372,573</u>	<u>585</u>	<u>1,994,917</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>190,320</u>	<u>8,201</u>	<u>(65,573)</u>	<u>(585)</u>	<u>132,363</u>
Other Financing Receipts (Disbursements)					
Sale of Capital Assets		6,324			6,324
Transfers In			65,500		65,500
Transfers Out	(65,500)				(65,500)
Other Financing Sources- Leases	989,055	1,750			990,805
Other Financing Uses- Refunds/Reimbursements	(21,597)				(21,597)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>901,958</u>	<u>8,074</u>	<u>65,500</u>		<u>975,532</u>
<i>Net Change in Fund Cash Balances</i>	<u>1,092,278</u>	<u>16,275</u>	<u>(73)</u>	<u>(585)</u>	<u>1,107,895</u>
<i>Fund Cash Balances, January 1</i>	<u>394,156</u>	<u>453,522</u>	<u>600</u>	<u>19,315</u>	<u>867,593</u>
Fund Cash Balances, December 31					
Nonspendable				15,000	15,000
Restricted		459,476	527	3,730	463,733
Assigned	21,961	10,321			32,282
Unassigned (Deficit)	1,464,473				1,464,473
<i>Fund Cash Balances, December 31</i>	<u>\$1,486,434</u>	<u>\$469,797</u>	<u>\$527</u>	<u>\$18,730</u>	<u>\$1,975,488</u>

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

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$1,360,598
Miscellaneous	1,499
	<u>1,362,097</u>
<i>Total Operating Cash Receipts</i>	<u>1,362,097</u>
Operating Cash Disbursements	
Personal Services	269,605
Employee Fringe Benefits	113,477
Contractual Services	327,454
Supplies and Materials	96,254
Claims	403
Other	
	<u>807,193</u>
<i>Total Operating Cash Disbursements</i>	<u>807,193</u>
<i>Operating Income (Loss)</i>	<u>554,904</u>
Non-Operating Receipts (Disbursements)	
Intergovernmental	5,371,324
Sale of Capital Assets	1,000
Capital Outlay	(2,448,759)
Principal Retirement	(3,514,311)
Interest and Other Fiscal Charges	(69,537)
	<u>(660,283)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(660,283)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	<u>(105,379)</u>
Transfers In	66,546
Transfers Out	(66,546)
	<u>(105,379)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(105,379)</u>
<i>Fund Cash Balances, January 1</i>	<u>697,364</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$591,985</u></u>

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

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Carrollton, Carroll County, (the "Village") as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, water and sewer utilities, maintenance of Village streets and alleys, park operations, and police services. The Village contracts with the Carroll County Sheriff's department to provide dispatch services. The Village supports a paid volunteer fire department through fire levies voted on by the village residents.

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.

The Village currently holds three Certificates of Deposits with local banks. The interest from the certificate of deposits are posted at maturity; any interest from the Huntington Bank checking account is posted monthly.

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

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

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax, motor vehicle tax money and a monthly fee from an exclusive trash contract for constructing, maintaining, and repairing Village streets.

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

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

3. Capital Project Funds

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

Lincoln Avenue Phase II Improvement – This fund received proceeds from OPWC grant #CNW11 in the amount of \$307,000, and the Village's share in the amount of \$65,500 as a transfer from the General fund for capital improvements to Lincoln Avenue.

4. Permanent Funds

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

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

5. Enterprise Funds

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

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

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

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

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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 level of control and appropriations may not exceed estimated resources. The Village Council must annually approve the appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2012 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

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.

VILLAGE OF CARROLLTON
CARROLL COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)

1. Summary of Significant Accounting Policies (Continued)

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 and Investments

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 and investments at December 31 was as follows:

	2012
Demand deposits	<u>\$2,354,473</u>
Certificates of deposit	213,000
Total deposits and investments	<u><u>\$2,567,473</u></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 CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

3. Budgetary Activity

Budgetary activity for the year ending 2012 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,324,647	\$2,384,212	\$59,565
Special Revenue	1,929,065	433,197	(1,495,868)
Capital Projects	373,100	372,500	(600)
Enterprise	7,106,696	6,800,967	(305,729)
Total	\$11,733,508	\$9,990,876	(\$1,742,632)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,264,890	\$1,291,934	(\$27,044)
Special Revenue	1,362,609	416,922	945,687
Capital Projects	372,500	372,573	(73)
Enterprise	7,095,152	6,906,346	188,806
Permanent	1,000	585	415
Total	\$10,096,151	\$8,988,360	\$1,107,791

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.

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

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

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

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

6. Debt

Debt outstanding at December 31, 2012 was as follows:

	Princippal	Interest Rate
Fire Equipment Bond	\$50,000	3.85%
OPWC Loan CT74M	\$410,677	0.00%
OPWC Loan CN26C	\$74,233	0.00%
OPWC Loan CN943	\$22,866	0.00%
OPWC Loan CN738	\$1,328	0.00%
OPWC Loan CT72M	\$458,333	0.00%
OWDA Loan 4926	\$142,815	1.00%
OWDA Loan 5127	\$863,457	1.50%
OWDA Loan 6177	\$78,109	2.00%
OPWC Loan CT34L	\$487,500	0.00%
USDA Bonds	\$3,310,000	2.13%
OWDA Loan 6209	\$96,020	2.82%
Copier Lease	\$6,392	6.10%
Total	\$6,001,730	

In 2010, the Village re-issued a Fire Equipment Bond for the Carrollton Fire Department in the amount of \$100,000 for a fire truck that was purchased in 2009. The bond is backed by the full faith and credit of the Village and matures January 1, 2015. A principal payment of \$25,000 and interest payment of \$2,640 was made in 2012 to Huntington Bank. The remaining principal balance of \$50,000 will be made by semi-annual payment due of \$12,500 as well as interest due until January 1, 2015.

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

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

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

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

6. Debt (Continued)

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

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

The Ohio Water Development Authority (OWDA) Water Pollution Control Loan Fund (WPCLF) 4926 relates to the wastewater treatment plant replacement project for the Village. The loan was issued June 26, 2008 in the amount of \$467,858 at 1% interest for 5 years. The loan will be repaid in semi-annual installments in an amount invoiced by OWDA, payable January 1 and July 1 of each year with final payment due July 1, 2014. The loan is secured by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. No amortization schedule has been received and the amounts in the amortization of debts listed below are estimated.

The Ohio Water Development Authority (OWDA) Loan #5127 relates to the water system improvements for replacement of water tanks and water meters. The loan was issued June 25, 2009 at the rate of 1.5% interest for 30 years with a maturity date of January 1, 2040. The loan will be re-paid in semi-annual installments in an amount invoiced by OWDA, payable January 1 and July 1 of each year. The loan is secured by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. No amortization schedule has been received and the amounts in the amortization of debts listed below are estimated.

The Ohio Water Development Authority (OWDA) Loan #6177 relates to a waterline replacement project on Second Street NW in the Village. The loan was issued April 26, 2012 in the original amount of \$118,877; however there is still \$8,541 in undisbursed funds and the principal amount outstanding at December 31, 2012 was \$78,109. The term of the loan is 30 years at 2% interest, with payments due January 1 and July 1 of each year beginning July 1, 2013 and final payment due January 1, 2043. This loan is not yet closed and the debt included in the amortization of debt listed below is estimated. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission Loan #CT34L relates to the construction of the wastewater treatment plant project for the Village. The project is still under construction and the projected completion date is in mid- 2013. The loan was issued in the amount of \$500,000 at 0% interest. The loan is for a term of 20 years and payable January 1 and July 1 of each year in the amount of \$12,500, with final payment due July 1, 2032. First payment is due January 1, 2013, but was made in December of 2012. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

6. Debt (Continued)

The Ohio Water Development Authority (OWDA) Loan #5693 related to the wastewater treatment plant rehab and expansion project for the Village. The project is still under construction and the projected completion date is mid- 2013. The loan was issued in the amount of \$3,310,000 on August 26, 2010 at the rate of 2.13% interest for three years with a final maturity date of August 26, 2013. One balloon payment is due August 26, 2013 and is to be paid by USDA, who will issue anticipated revenue bonds on behalf of the Village of Carrollton. However, USDA paid the principal amount of the loan on October 1, 2012 of which \$3,310,000 of anticipated revenue bonds were issued by USDA as of that date. The Village has agreed to set utility rates sufficient to the debt service requirements.

The Ohio Water Development Authority (OWDA) Loan #6209 relates to the Lincoln Avenue waterline replacement project in the Village. The loan was issued June 28, 2012 in the original amount of \$100,400 for 10 years at 2.82% interest, with payments due January 1 and July 1 of each year with a maturity date of July 1, 2022. First payment due January 1, 2013 was made on December 29, 2012, leaving a principal balance due as of December 31, 2012 as \$96,020. Final payment is due July 1, 2022. The debt is included in the amortization of debt listed below. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

Future lease payments are as follows:

	<u>Amount</u>
2013	\$2,124
2014	2,124
2015	2,124
2016	<u>708</u>
Total Minimum Lease Payments	\$7,080
Less: Amount Representing Interest	<u>688</u>
Present Value of Minimum Lease Payments	<u>\$6,392</u>

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

6. Debt (Continued)

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

Year ending December 31:	Fire Equipment	OPWC	OWDA	USDA
2013	\$27,000	\$75,446	\$109,041	\$120,316
2014	26,000	75,446	157,123	123,705
2015	0	74,560	60,959	123,647
2016	0	74,560	60,959	123,665
2017	0	66,936	60,959	123,658
2018-2022	0	313,472	284,892	618,364
2023-2027	0	281,660	246,834	618,301
2028-2032	0	281,660	246,834	618,342
2033-2037	0	156,660	246,834	618,356
2038-2042	0	98,662	109,158	618,385
2043-2047	0	0	0	618,306
2048-2053	0	0	0	618,347
Total	<u>\$53,000</u>	<u>\$1,499,062</u>	<u>\$1,583,593</u>	<u>\$4,943,392</u>

7. Retirement Systems

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012, OP&F participants contributed 10% of their wages. For 2012, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2012, OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

8. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

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

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

8. Risk Management (Continued)

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

Health Insurance

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

Life Insurance

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

9. Contingent Liabilities

The Village is not a defendant in any lawsuits for 2012.

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

10. Joint Ventures

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

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

10. Joint Ventures (Continued)

The Village has taken steps to generate and stockpile funds for any portion of the Village's expenses including legal fees by establishing a special revenue account entitled "Landfill Closure Fund". Revenue is generated by the Village's exclusive trash contract, which was negotiated and renewed at the rate of \$2,500 per month from the trash hauler. Of this monthly amount \$2,000 is allocated to the Landfill Closure Fund and the other \$500 is allocated to the Street Maintenance fund for maintenance of streets. The Landfill Closure Fund has a balance of \$361,864 as of December 31, 2012.

11. Subsequent Events

The Village has been approved for an Ohio Public Works Commission (OPWC) Loan Assistance Grant for the wastewater treatment plant in the amount of \$208,025 to be used to assist in the interest on the OWDA interim loan #5693 for the treatment plant. The OWDA interim loan #5693 was paid in full by USDA upon issuance of the Revenue Bonds for the wastewater treatment plant. Funds in the amount of \$50,022 of the OPWC Grant were used to pay the interest on the OWDA interim loan #5693 in 2012. The wastewater treatment plant project is not complete as of December 31, 2012 and projected completion is mid 2013.

The Village is also planning a waterline replacement project for Daringer Avenue with a possible 0% loan which will be re-paid from water receipts.

The Village has contracted with URS to design a new water treatment plant with construction to being sometime in 2013 along with a Brenner Road waterline replacement project. Funding is not completed at this date and any loans will be re-paid with water receipts.

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VILLAGE OF CARROLLTON
CARROLL COUNTY

FEDERAL AWARDS EXPENDITURE SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Direct Award:</i>			
Water and Waste Disposal Systems for Rural Communities		10.760	\$ <u>1,395,454</u>
Total			<u><u>\$1,395,454</u></u>

The accompanying notes are an integral part of this schedule.

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURE SCHEDULE
YEAR ENDED DECEMBER 31, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - MATCHING REQUIREMENTS

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



Dave Yost • Auditor of State

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

Village of Carrollton
Carroll County
80 Second Street S.W.
Carrollton, Ohio 44615

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Carrollton, Carroll County, (the "Village") as of and for the year ended December 31, 2012, and the related notes to the financial statements and have issued our report thereon dated June 24, 2013, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

Internal Control Over Financial Reporting

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

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

June 24, 2013



Dave Yost • Auditor of State

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

Village of Carrollton
Carroll County
80 Second Street S.W.
Carrollton, Ohio 44615

To the Village Council:

Report on Compliance for the Major Federal Program

We have audited the Village of Carrollton's (the "Village's") compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Village of Carrollton's major federal program for the year ended December 31, 2012. The *Summary of Audit Results* in the accompanying schedule of findings identifies the Village's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the Village of Carrollton complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2012.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State

Columbus, Ohio

June 24, 2013

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	The Village's management had a responsibility to design and maintain internal controls over financial reporting. Internal controls must exist over the construction project management process. Timely and thorough review should be completed by the appropriate personnel.	Yes	Corrective Action Taken



Dave Yost • Auditor of State

VILLAGE OF CARROLLTON

CARROLL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 17, 2013**