



**Auditor of State
Betty Montgomery**

VILLAGE OF CARROLLTON
CARROLL COUNTY

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Auditor of State Betty Montgomery

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Carrollton (the Village) as of and for the year ended December 31, 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2002, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying federal awards expenditures schedule is presented for additional analysis as required by 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. We subjected this information to the auditing procedures applied in the audit of the financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, Village Council, and federal awarding agencies and pass-through entities and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by 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

March 31, 2003

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$170,388	\$81,848	\$0	\$0	\$661,062	\$913,298
Intergovernmental Receipts	139,804	1,013,731				1,153,535
Charges for Services	15,570	20,500				36,070
Fines, Licenses, and Permits	79,585	467			32,500	112,552
Earnings on Investments	28,795	191				28,986
Miscellaneous	3,737	2				3,739
Total Cash Receipts	437,879	1,116,739	0	0	693,562	2,248,180
Cash Disbursements:						
Current:						
Security of Persons and Property	447,912	65,314				513,226
Public Health Services	16,285					16,285
Leisure Time Activities	28,607					28,607
Community Environment	5,017					5,017
Basic Utility Services				5,127		5,127
Transportation	160,687	306,161				466,848
General Government	196,515				23,565	220,080
Debt Service:						
Principal Payments			115,246			115,246
Interest Payments			34,371			34,371
Capital Outlay	279,727	1,167,182			8,000	1,454,909
Total Cash Disbursements	1,134,750	1,538,657	149,617	5,127	31,565	2,859,716
Total Receipts Over/(Under) Disbursements	(696,871)	(421,918)	(149,617)	(5,127)	661,997	(611,536)
Other Financing Receipts and (Disbursements):						
Transfers-In	800,000	230,840	131,557	5,127		1,167,524
Advances-In		123,660				123,660
Transfers-Out	(284,260)	(32,487)			(800,000)	(1,116,747)
Advances-Out	(123,660)					(123,660)
Other Sources	20,295	25,521				45,816
Other Uses					(19,792)	(19,792)
Total Other Financing Receipts/(Disbursements)	412,375	347,534	131,557	5,127	(819,792)	76,801
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(284,496)	(74,384)	(18,060)	0	(157,795)	(534,735)
Fund Cash Balances, January 1	460,562	186,765	18,060	0	376,657	1,042,044
Fund Cash Balances, December 31	\$176,066	\$112,381	\$0	\$0	\$218,862	\$507,309
Reserves for Encumbrances, December 31	\$9,850	\$19,249	\$0	\$0	\$0	\$29,099

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

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Operating Cash Receipts:			
Charges for Services	\$597,721		\$597,721
Interest		\$128	128
Miscellaneous	29		29
Total Operating Cash Receipts	<u>597,750</u>	<u>128</u>	<u>597,878</u>
Operating Cash Disbursements:			
Personal Services	268,472		268,472
Travel Transportation	418		418
Contractual Services	102,748		102,748
Supplies and Materials	67,978		67,978
Capital Outlay	140,661		140,661
Total Operating Cash Disbursements	<u>580,277</u>	<u>0</u>	<u>580,277</u>
Operating Income/(Loss)	<u>17,473</u>	<u>128</u>	<u>17,601</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	4,005		4,005
Total Non-Operating Cash Receipts	<u>4,005</u>	<u>0</u>	<u>4,005</u>
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements	100		100
Total Non-Operating Cash Disbursements	<u>100</u>	<u>0</u>	<u>100</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	21,378	128	21,506
Transfers-Out	<u>(50,777)</u>		<u>(50,777)</u>
Net Receipts Over/(Under) Disbursements	(29,399)	128	(29,271)
Fund Cash Balances, January 1	<u>234,287</u>	<u>18,608</u>	<u>252,895</u>
Fund Cash Balances, December 31	<u>\$204,888</u>	<u>\$18,736</u>	<u>\$223,624</u>
Reserve for Encumbrances, December 31	<u>\$13,321</u>	<u>\$0</u>	<u>\$13,321</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, 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Carrollton, Carroll County, (the Village) is a body corporate and politic 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 publicly-elected six-member Council. The Village provides water and sewer utilities, street maintenance and repair, building inspection and development, parks and recreation and police and fire services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit and the Village's repurchase agreement are valued at cost.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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

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

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

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

3. Debt Service Fund

These funds are used to accumulate resources for the payment of note indebtedness. The Village had the following significant debt service fund:

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

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Sterling Fund - This fund received transfers from other funds for the Sterling project.

5. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

6. Fiduciary Funds (Trust Funds)

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

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

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2002 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS – (Continued)

	2002
Demand deposits	(\$100,991)
Certificates of deposit	311,985
Total deposits	210,994
Repurchase agreement	519,939
Total investments	519,939
Total deposits and investments	\$730,933

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2002 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,170,674	\$1,258,174	\$87,500
Special Revenue	1,818,866	1,373,100	(445,766)
Debt Service	131,567	131,557	(10)
Capital Projects	5,127	5,127	0
Enterprise	578,373	601,755	23,382
Fiduciary	678,050	693,690	15,640
Total	\$4,382,657	\$4,063,403	(\$319,254)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,573,393	\$1,428,860	\$144,533
Special Revenue	1,795,864	1,590,393	205,471
Debt Service	149,617	149,617	0
Capital Projects	5,127	5,127	0
Enterprise	801,612	644,475	157,137
Fiduciary	952,980	851,357	101,623
Total	\$5,278,593	\$4,669,829	\$608,764

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

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

4. PROPERTY TAX

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

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

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

6. DEBT

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$390,000	6.10%
Ohio Water Development Authority (OWDA) Loan	\$15,652	6.40%
Ohio Public Works Commission (OPWC) Loan	\$10,177	0.00%
Ohio Water Development Authority (OWDA) Loan	405	8.38%
Ohio Public Works Commission (OPWC) Loan	99,085	0.00%
Ohio Public Works Commission (OPWC) Loan	180,272	0.00%
Total	<u>\$695,591</u>	

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

The Ohio Water Development Authority (OWDA) loans relate to a water system improvement project. The loans are collateralized by water receipts.

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

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

6. DEBT – (Continued)

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

Year ending December 31:	General Obligation		
	Bonds	OWDA Loans	OPWC Loans
2003	\$64,820	\$17,081	\$19,112
2004	62,459		19,112
2005	60,045		19,112
2006	62,526		19,112
2007	64,647		19,112
2008 – 2019	245,118		193,981
Total	<u>\$559,615</u>	<u>\$17,081</u>	<u>\$289,541</u>

7. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2002, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant and 24% of fire participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2002. The Village has paid all contributions required through December 31, 2002.

8. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

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

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

9. LANDFILL CLOSURE AND POSTCLOSURE COSTS

The Village landfill was taken over by Carroll County during 1989 and was closed in 1993. State and Federal laws and regulations require that Carroll County perform certain maintenance and monitoring functions at the closed landfill site for thirty years after closure. The Village shares in the estimated liability disclosed. The Village and the County have pending negotiations regarding the Village's share of the liability. The estimated liability for the landfill is \$2,363,000 for the closure costs and \$1,172,500 for postclosure costs. The estimated cost of landfill closure and postclosure care expenses is based on the amount that would be paid if all materials and services required to monitor and maintain the closed landfill were acquired as of December 31, 2000. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. The County and the Village have not yet agreed on the proportion of the liability for which the Village is responsible and an estimate is not currently determinable. As of the date of this report, the Village does not have a comprehensive plan for retiring this liability and is considering its options.

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed Through Ohio Department of Transportation:</i>			
Highway Planning and Construction	N 092 02	20.205	\$592,862
Total U.S. Department of Transportation			<u>592,862</u>
Total			<u><u>592,862</u></u>

The accompanying notes to this schedule are an integral part of this schedule.

**VILLAGE OF CARROLLTON
CARROLL COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 2002**

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the Village's federal award programs. The schedule has been prepared on the cash basis of accounting.

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**Auditor of State
Betty Montgomery**

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Carrollton (the Village) as of and for the year ended December 31, 2002, and have issued our report thereon dated March 31, 2003. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2002-31210-001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated March 31, 2003.

Village of Carrollton
Carroll County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the audit committee, management, Village Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by 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

March 31, 2003



Auditor of State Betty Montgomery

REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the Village of Carrollton (the Village) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2002. The Village's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. 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 that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2002.

Internal Control Over Compliance

The management of the Village is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, Village Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by 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

March 31, 2002

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505**

**VILLAGE OF CARROLLTON
CARROLL COUNTY
DECEMBER 31, 2002**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Highway Planning and Construction (CFDA# 20.205)
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

Finding Number 2002-31210-001

Noncompliance Citation

Ohio Rev. Code, Section 5705.41(D), provides that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon. This section also provides for two exceptions to the above requirements:

1. Then and Now Certificates – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of amount due upon such contract or order by resolution within thirty (30) days from the receipt of such certificate.
2. If the amount involved is less than one thousand dollars (\$1,000), the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Council, if such expenditure is otherwise valid.

Our test of disbursements indicated that 40% of the 2002 expenditures tested were committed prior to the certification of available funds by the Village Clerk. Neither exception listed above was followed, contrary to Ohio Rev. Code 5705.41(D). This condition does not provide adequate accountability over the Village's disbursements. Obligations may be incurred which either Council or management has not authorized or which the Village cannot afford.

The Village should establish control policies and procedures that are sufficient to ensure that purchases are certified and encumbered by the Clerk at the time of purchase.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

VILLAGE OF CARROLLTON
CARROLL COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-31210-001	Revised Code 5705.41(D), failure to certify funds	No	Not Corrected, will repeat for current year as finding # 2002-31210-001.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

VILLAGE OF CARROLLTON

CARROLL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 15, 2003**