



**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001- 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF CARROLL
FAIRFIELD COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Carroll
Fairfield County
68 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, 2001 and December 31, 2000. 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 audits.

We conducted our audits 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 audits 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 audits 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 reserve for encumbrances of the Village as of December 31, 2001 and December 31, 2000, and its combined cash receipts and disbursements for the years 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 5, 2002 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 audits.

This report is intended solely for the information and use of the finance committee, management, Village Council 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.

JIM PETRO
Auditor of State

March 5, 2002

**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, 2001**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property Tax and Other Local Taxes	\$92,028	\$10,244	\$102,272
Intergovernmental Receipts	23,613	27,653	51,266
Fines, Licenses, and Permits	4,052	520	4,572
Earnings on Investments	9,301	1,154	10,455
Miscellaneous	4,774	234	5,008
	<u>133,768</u>	<u>39,805</u>	<u>173,573</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	55,190	0	55,190
Public Health Services	1,040	0	1,040
Leisure Time Activities	4,724	0	4,724
Community Environment	1,746	0	1,746
Basic Utility Services	127	0	127
Transportation	1,767	25,731	27,498
General Government	58,084	0	58,084
Debt Service:			
Principal and Interest Payments	4,000	0	4,000
Capital Outlay	0	3,167	3,167
	<u>126,678</u>	<u>28,898</u>	<u>155,576</u>
Total Cash Disbursements			
	<u>126,678</u>	<u>28,898</u>	<u>155,576</u>
Total Receipts Over/(Under) Disbursements	<u>7,090</u>	<u>10,907</u>	<u>17,997</u>
Other Financing Receipts/(Disbursements):			
Transfers-Out	(500)	0	(500)
Contingencies	(2,381)	0	(2,381)
	<u>(2,881)</u>	<u>0</u>	<u>(2,881)</u>
Total Other Financing Receipts/(Disbursements)			
	<u>(2,881)</u>	<u>0</u>	<u>(2,881)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	4,209	10,907	15,116
Fund Cash Balances, January 1	41,922	11,969	53,891
	<u>41,922</u>	<u>11,969</u>	<u>53,891</u>
Fund Cash Balances, December 31	<u>\$46,131</u>	<u>\$22,876</u>	<u>\$69,007</u>
Reserve for Encumbrances, December 31	\$10,845	\$381	\$11,226
	<u>\$10,845</u>	<u>\$381</u>	<u>\$11,226</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 - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$177,685
Miscellaneous	1,981
Total Operating Cash Receipts	179,666
Operating Cash Disbursements:	
Personal Services	39,904
Fringe Benefits	8,349
Contractual Services	27,951
Supplies and Materials	29,812
Miscellaneous	5
Total Operating Cash Disbursements	106,021
Operating Income/(Loss)	73,645
Non-Operating Cash Receipts:	
Interest	2,460
Total Non-Operating Cash Receipts	2,460
Non-Operating Cash Disbursements:	
Debt Service	53,973
Total Non-Operating Cash Disbursements	53,973
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	22,132
Transfers-In	500
Net Receipts Over/(Under) Disbursements	22,632
Fund Cash Balances, January 1	128,139
Fund Cash Balances, December 31	\$150,771
Reserve for Encumbrances, December 31	\$2,924

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, 2000**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property Tax and Other Local Taxes	\$96,255	\$10,412	\$106,667
Intergovernmental Receipts	35,093	28,856	63,949
Fines, Licenses, and Permits	5,565	520	6,085
Earnings on Investments	7,450	479	7,929
Miscellaneous	6,678	231	6,909
 Total Cash Receipts	 151,041	 40,498	 191,539
Cash Disbursements:			
Current:			
Security of Persons and Property	55,756	2,409	58,165
Public Health Services	956	0	956
Leisure Time Activities	2,036	0	2,036
Community Environment	1,156	0	1,156
Transportation	6,257	26,233	32,490
General Government	57,806	588	58,394
Debt Service:			
Principal and Interest Payments	2,400	0	2,400
Capital Outlay		7,129	7,129
 Total Cash Disbursements	 126,367	 36,359	 162,726
 Total Receipts Over/(Under) Disbursements	 24,674	 4,139	 28,813
Other Financing Receipts/(Disbursements):			
Transfers-In		1,080	1,080
Transfers-Out	(1,580)	0	(1,580)
 Total Other Financing Receipts/(Disbursements)	 (1,580)	 1,080	 (500)
 Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	 23,094	 5,219	 28,313
 Fund Cash Balances January 1	 18,828	 6,750	 25,578
 Fund Cash Balances, December 31	 \$41,922	 \$11,969	 \$53,891
 Reserve for Encumbrances, December 31	 \$5,341	 \$436	 \$5,777

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 - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$180,668
Miscellaneous	1,382
	182,050
Operating Cash Disbursements:	
Personal Services	44,913
Fringe Benefits	12,186
Contractual Services	27,853
Supplies and Materials	41,663
Miscellaneous	631
Capital Outlay	42,380
	169,626
Total Operating Cash Disbursements	169,626
Operating Income/(Loss)	12,424
Non-Operating Cash Receipts:	
Interest	1,998
	1,998
Total Non-Operating Cash Receipts	1,998
Non-Operating Cash Disbursements:	
Debt Service	55,573
	55,573
Total Non-Operating Cash Disbursements	55,573
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(41,151)
Transfers-In	500
Net Receipts Over/(Under) Disbursements	(40,651)
Fund Cash Balances, January 1	168,790
Fund Cash Balances, December 31	\$128,139
Reserve for Encumbrances, December 31	\$667

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Carroll Fairfield County, Ohio (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 general governmental services, including water and sewer utilities, park operations (leisure time activities), and police 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 included in fund cash balances. 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 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.

Permissive Motor Vehicle License Fund -This fund receives permissive tax from the state for a municipal levy for constructing, maintaining and repairing Village street and sidewalks.

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. 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.

Capital Improvement Fund - This fund receives user fees charged to water and sewer customers. The monies are used to repair, construct and maintain water and sewer facilities and equipment.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and object level of control for 2000 and at the fund and function level control for 2001, 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 re-appropriated.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 investment 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:

	2001	2000
Demand deposits	\$ 179,778	\$ 142,030
Certificates of deposit	<u>40,000</u>	<u>40,000</u>
Total deposits	<u>219,778</u>	<u>182,030</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 and December 31, 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$138,025	\$133,768	(\$4,257)
Special Revenue	39,459	39,805	346
Enterprise	201,270	204,590	3,320
Total	<u>\$378,754</u>	<u>\$378,163</u>	<u>(\$591)</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$172,547	\$140,404	\$32,143
Special Revenue	45,328	29,279	16,049
Enterprise	256,583	184,882	71,701
Total	<u>\$474,458</u>	<u>\$354,565</u>	<u>\$119,893</u>

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$140,686	\$151,041	\$10,355
Special Revenue	41,643	41,578	(65)
Enterprise	197,633	210,170	12,537
Total	\$379,962	\$402,789	\$22,827

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$160,702	\$133,288	\$27,414
Special Revenue	48,568	36,795	11,773
Enterprise	367,451	251,488	115,963
Total	\$576,721	\$421,571	\$155,150

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 payment, 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 .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.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village Administrator quarterly. Corporations and other individual taxpayers pay estimated taxes semi-annually and file a declaration annually.

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

6. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$559,893	2%
Bank Loans	63,625	See below
Total	\$623,518	

The Ohio Water Development Authority (OWDA) loan relates to installation of the central sewage system. The original principal amount was \$850,708. The loan will be repaid in semiannual installments of \$21,787, including interest, over 25 years.

The Village has two loans outstanding with the First National Bank of Carroll. (1)Municipal Building Loan: On November 6, 1996, the Village refinanced the Municipal Building mortgage with First National. The original amount of this mortgage was \$66,709. It is a 15-year mortgage with a variable interest rate which was originally 6%. This rate is calculated as 2.25% under the highest base rate on corporate loans at large U.S. money center commercial banks that the Wall Street Journal publishes as the prime rate. However, this rate will never be less than 2%. As fo December 31, 2001, the interest rate on this loan was 2.5%. This mortgage is secured by the Municipal Building located at 68 Center Street, Carroll, Ohio 43112. (2) Water Plant Addition Loan: On October 7, 1997, the Village took out a loan to finance construction of an addition to the water plant. The amount of this loan was \$40,000. It is a 15-year loan with a variable interest rate which was originally 6.5%. This rate is calculated as 2% under the highest base rate on corporate loans at large U.S. money center commercial banks that the Wall Street Journal publishes as the prime rate. However, this rate will never be more than 18% or less than 5%. As of December 31, 2001, the interest rate on this loan was 5%. This loan is secured by the Village of Carroll Water Plant located at 59 Oberle Avenue, Carroll, Ohio 43112.

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

Year ending December 31:	OWDA Loan	Bank Loans
2002	\$43,573	\$10,938
2003	43,573	10,938
2004	43,573	10,938
2005	43,573	10,938
2006	43,573	10,938
Subsequent	435,734	58,974
Total	\$653,599	\$113,664

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). One Council member and the remaining employees belong to the Public Employees Retirement System (PERS) of Ohio. All other elected officials belong to the Social Security Administration (FICA). 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 2001 and 2000, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. For 2001 and 2000, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of PERS participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13% effective July 1, 2000 through December 31, 2000.

Some employees opted to pay into Social Security (FICA) contribution rates are approved by the United States Congress. Members contributed 7.65% of their wages to FICA and the Village also contributed an amount equal to 7.65% of their wages.

The Village has paid all contributions required through December 31, 2001.

8. RISK MANAGEMENT

Risk Pool Membership

The Village was a member of the Ohio Municipal Joint Self Insurance Pool (the Pool) from January 1, 2000 to December 11, 2000. The Pool is an unincorporated non-profit association available to municipal corporations and their instrumentalities. Pursuant to Section 2744.081 of the Ohio Revised Code, the Pool is deemed a separate legal entity. The Pool provides a program of property and casualty insurance for its members. The Pool pays judgements, settlements and other expenses resulting from covered claims that exceed the members' deductibles. Casualty excess-of-loss contracts at December 31, 2000 and 1999 generally protect against individual losses over \$150,000 (\$100,000 for policies issued after March 31, 2000).

On December 12, 2000, the Village became a member of the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgements, settlements, and other expenses resulting from covered claims that exceed the members deductibles.

Casualty Insurance

PEP retains casualty risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation. If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

8. RISK MANAGEMENT (Continued)

Property Insurance

PEP retains property risks, including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, the Travelers Indemnity Company provides coverage in excess of \$10,000.

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

Financial Position

PEP's financial statements (audited by other accountants) conform to generally accepted accounting principles, and reported the following assets, liabilities, and retained earnings at December 31, for the most recent information available:

<u>Casualty Coverage</u>	<u>2000</u>	<u>1999</u>
Assets	\$17,112,129	\$15,295,389
Liabilities	<u>7,715,035</u>	<u>6,636,543</u>
Retained Earnings	<u>\$ 9,397,094</u>	<u>\$ 8,658,846</u>
 <u>Property Coverage</u>	 <u>2000</u>	 <u>1999</u>
Assets	\$1,575,614	\$1,118,222
Liabilities	<u>281,561</u>	<u>279,871</u>
Retained Earnings	<u>\$1,294,053</u>	<u>\$ 838,351</u>

The Village also provides health insurance to the full-time Utility Manager, supplemental (to Medicare) insurance to a part-time secretary, and life insurance to the Clerk-Treasurer and full-time police officer

9. JOINTLY GOVERNED ORGANIZATION

Fairfield County Regional Planning Commission

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

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

Village of Carroll
Fairfield County
68 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, 2001 and December 31, 2000, and have issued our report thereon dated March 5, 2002. 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the Village in a separate letter dated March 5, 2002.

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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable conditions is described in the accompanying schedule of findings as item 2001-30623-001.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. 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 5, 2002.

This report is intended for the information and use of the finance committee, management, Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

March 5, 2002

**VILLAGE OF CARROLL
FAIRFIELD COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2001-30623-001

Reportable Condition

The Village has delegated income tax return processing, which is a significant accounting function, to a third party administrator, Oatney & Wasem, CPA's. The Village has not established procedures to monitor the income taxes collected by Oatney & Wasem.

We recommend the Village implement procedures to assure the completeness and accuracy of income tax revenue processed by Oatney & Wasem, CPA's. The Village should review the monthly general ledger prepared by Oatney & Wasem. The Village should compare the ledger with the income taxes posted and should review the ledger to ensure the appropriate businesses and individuals are remitting income taxes.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
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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
APRIL 11, 2002**