



**Auditor of State
Betty Montgomery**

VILLAGE OF CARROLL
FAIRFIELD COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Carroll, Fairfield County, Ohio, (the Village) as of and for the years ended December 31, 2003, and 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.

The Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe 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 of Carroll, Fairfield County, Ohio, as of December 31, 2003, and December 31, 2002, 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 May 13, 2004, 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.

This report is intended solely for the information and use of the management, the 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.

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

Betty Montgomery
Auditor of State

May 13, 2004

**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, 2003**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$122,447	\$10,291	\$0	\$132,738
Intergovernmental Receipts	19,395	29,647	0	49,042
Fines, Licenses, and Permits	15,160	1,890	130,308	147,358
Earnings on Investments	6,641	1,795	0	8,436
Miscellaneous	3,488	10	0	3,498
	<u>167,131</u>	<u>43,633</u>	<u>130,308</u>	<u>341,072</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	68,905	322	0	69,227
Public Health Services	2,062	0	0	2,062
Leisure Time Activities	4,727	0	0	4,727
Community Environment	3,364	0	0	3,364
Transportation	3,609	30,188	15,195	48,992
General Government	56,350	0	131,166	187,516
Debt Service:				
Redemption of Principal	9,742	0	0	9,742
Interest	927	0	0	927
Capital Outlay	0	1,641	0	1,641
	<u>149,686</u>	<u>32,151</u>	<u>146,361</u>	<u>328,198</u>
Total Receipts Over/(Under) Disbursements	<u>17,445</u>	<u>11,482</u>	<u>(16,053)</u>	<u>12,874</u>
Other Financing Receipts and (Disbursements):				
Debt Proceeds	20,000	0	0	20,000
Transfers-In	652	0	0	652
Transfers-Out	(500)	0	(652)	(1,152)
	<u>20,152</u>	<u>0</u>	<u>(652)</u>	<u>19,500</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	37,597	11,482	(16,705)	32,374
Fund Cash Balances, January 1	<u>39,080</u>	<u>31,125</u>	<u>16,705</u>	<u>86,910</u>
Fund Cash Balances, December 31	<u>\$76,677</u>	<u>\$42,607</u>	<u>\$0</u>	<u>\$119,284</u>
Reserves for Encumbrances, December 31	<u>\$7,180</u>	<u>\$1,617</u>	<u>\$0</u>	<u>\$8,797</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
AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$181,859	\$0	\$181,859
Total Operating Cash Receipts	<u>181,859</u>	<u>0</u>	<u>181,859</u>
Operating Cash Disbursements:			
Personal Services	36,254	0	36,254
Fringe Benefits	2,496	0	2,496
Contractual Services	35,196	0	35,196
Supplies and Materials	20,875	0	20,875
Other	677	0	677
Capital Outlay	9,702	0	9,702
Total Operating Cash Disbursements	<u>105,200</u>	<u>0</u>	<u>105,200</u>
Operating Income	<u>76,659</u>	<u>0</u>	<u>76,659</u>
Non-Operating Cash Receipts:			
Fines, Licenses, and Permits	0	19,920	19,920
Interest	832	0	832
Miscellaneous	139	0	139
Total Non-Operating Cash Receipts	<u>971</u>	<u>19,920</u>	<u>20,891</u>
Non-Operating Cash Disbursements:			
Other	0	19,920	19,920
Debt Service:			
Redemption of Principal	44,751		44,751
Interest	10,959		10,959
Total Non-Operating Cash Disbursements	<u>55,710</u>	<u>19,920</u>	<u>75,630</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	21,920	0	21,920
Transfers-In	500	0	500
Net Receipts Over Disbursements	22,420	0	22,420
Fund Cash Balances, January 1	179,560	0	179,560
Fund Cash Balances, December 31	<u>\$201,980</u>	<u>\$0</u>	<u>\$201,980</u>
Reserve for Encumbrances, December 31	<u>\$3,143</u>	<u>\$0</u>	<u>\$3,143</u>

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

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

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

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$91,077	\$10,727	\$0	\$101,804
Intergovernmental Receipts	19,850	27,082	0	46,932
Fines, Licenses, and Permits	2,401	895	0	3,296
Earnings on Investments	7,357	1,200	0	8,557
Miscellaneous	4,330	4,392	0	8,722
	<u>125,015</u>	<u>44,296</u>	<u>0</u>	<u>169,311</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	43,329	400	0	43,729
Public Health Services	1,818		0	1,818
Leisure Time Activities	4,081		0	4,081
Community Environment	1,702		0	1,702
Transportation	6,831	30,187	0	37,018
General Government	51,591	500	0	52,091
Debt Service:				
Principal Payments	4,069		0	4,069
Interest Payments	731		0	731
Capital Outlay	0	4,960	0	4,960
	<u>114,152</u>	<u>36,047</u>	<u>0</u>	<u>150,199</u>
Total Cash Disbursements				
Total Receipts Over Disbursements	<u>10,863</u>	<u>8,249</u>	<u>0</u>	<u>19,112</u>
Other Financing Receipts and (Disbursements):				
Transfers-In			16,705	16,705
Transfers-Out	(17,205)	0	0	(17,205)
Other Financing Sources	(709)	0	0	(709)
	<u>(17,914)</u>	<u>0</u>	<u>16,705</u>	<u>(1,209)</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(7,051)	8,249	16,705	17,903
Fund Cash Balances, January 1	46,131	22,876	0	69,007
Fund Cash Balances, December 31	<u>\$39,080</u>	<u>\$31,125</u>	<u>\$16,705</u>	<u>\$86,910</u>
Reserves for Encumbrances, December 31	<u>\$2,266</u>	<u>\$232</u>	<u>\$0</u>	<u>\$2,498</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
AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$185,354	\$0	\$185,354
Miscellaneous	2,616		2,616
	<u>187,970</u>	<u>0</u>	<u>187,970</u>
Operating Cash Disbursements:			
Personal Services	30,811	0	30,811
Fringe Benefits	4,490	0	4,490
Contractual Services	42,594	0	42,594
Supplies and Materials	23,575	0	23,575
Other	575	0	575
Capital Outlay	6,811	0	6,811
	<u>108,856</u>	<u>0</u>	<u>108,856</u>
Operating Income	<u>79,114</u>	<u>0</u>	<u>79,114</u>
Non-Operating Cash Receipts:			
Fines, Licenses and Permits	0	3,360	3,360
Interest	2,348	0	2,348
	<u>2,348</u>	<u>3,360</u>	<u>5,708</u>
Non-Operating Cash Disbursements:			
Other	0	3,360	3,360
Debt Service:			
Redemption of Principal	40,926	0	40,926
Interest	12,247	0	12,247
	<u>53,173</u>	<u>3,360</u>	<u>56,533</u>
Excess of Receipts Over Disbursements Before Interfund Transfers	28,289	0	28,289
Transfers-In	500	0	500
Net Receipts Over Disbursements	28,789	0	28,789
Fund Cash Balances, January 1	150,771	0	150,771
Fund Cash Balances, December 31	<u>\$179,560</u>	<u>\$0</u>	<u>\$179,560</u>
Reserve for Encumbrances, December 31	<u>\$111</u>	<u>\$0</u>	<u>\$111</u>

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

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

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 the 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.

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Fund (Continued)

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

3. Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise funds).

4. 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.

5. Fiduciary Fund (Agency Fund)

This fund is one in which the Village is acting in an agency capacity. The Village had the following significant Fiduciary Fund:

Mayor's Court – This fund is used to account for the receipts and disbursements made by the Mayor's Court.

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 2002 and at the fund and function level of control for 2003, 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.

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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.

A summary of 2003 and 2003 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:

	<u>2003</u>	<u>2002</u>
Demand deposits	\$281,264	\$226,470
Certificates of deposit	40,000	40,000
Total deposits	<u>\$321,264</u>	<u>\$266,470</u>

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

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2003 and December 31, 2002 follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$165,785	\$187,783	\$21,998
Special Revenue	46,229	43,633	(2,596)
Capital Projects	135,000	130,308	(4,692)
Enterprise	254,245	183,330	(70,915)
Total	<u>\$601,259</u>	<u>\$545,054</u>	<u>(\$56,205)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$194,866	\$157,366	\$37,500
Special Revenue	61,047	33,768	27,279
Capital Projects	151,705	147,013	4,692
Enterprise	344,061	164,053	180,008
Total	<u>\$751,679</u>	<u>\$502,200</u>	<u>\$249,479</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$130,521	\$125,015	(\$5,506)
Special Revenue	46,245	44,296	(1,949)
Capital Projects	16,705	16,705	0
Enterprise	238,884	190,818	(48,066)
Total	<u>\$432,355</u>	<u>\$376,834</u>	<u>(\$55,521)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$174,462	\$134,332	\$40,130
Special Revenue	52,881	36,279	16,602
Capital Project	16,705	0	16,705
Enterprise	276,507	162,140	114,367
Total	<u>\$520,555</u>	<u>\$332,751</u>	<u>\$187,804</u>

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 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 the 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 .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 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, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$494,495	2.00%
Bank Loans	48,590	See Below
Total	<u>\$543,085</u>	

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

The Village has two loans outstanding with First National Bank:

Municipal Building Loan - On November 6, 1996 the Village refinanced the Municipal Building mortgage with First National. The original amount of the 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. This rate will never be less than 2%. This mortgage is secured by the Municipal Building located at 68 Center Street.

Police Cruiser Loan - On July 16, 2003 the Village entered into a loan to purchase a police cruiser. The amount of this loan was \$20,000. It is an 18 month loan with an interest rate of 5%.

The Village fully repaid a Water Plant Addition Loan in 2003.

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. DEBT (Continued)

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

Year ending December 31:	<u>OWDA Loan</u>	<u>Bank Loans</u>
2004	\$21,787	\$20,704
2005	43,573	7,920
2006	43,573	6,757
2007	43,573	6,757
2008	43,573	6,757
2009 – 2013	217,865	3,714
2014 - 2017	152,506	0
Total	<u>\$566,450</u>	<u>\$52,609</u>

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 Public Employees Retirement System (PERS) of Ohio. All other elected officials belong to 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 2003 and 2002, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002.

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

The Village has paid all contributions required through December 31, 2003.

8. RISK MANAGEMENT

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Pool provides a program of property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

Casualty excess-of-loss contracts at December 31, 2002 and 2001 generally protect against individual losses exceeding \$150,000 for policies issued prior to April 1, 2000; \$100,000 for policies issued between April 1, 2000 and March 31, 2002; and \$125,000 for policies issued April 1, 2002 or later.

Property coverage contracts protect against losses, subject to a deductible of \$50,000, limited to an annual aggregate loss of the greater of \$300,000 or 1% of total coverage.

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

8. RISK MANAGEMENT (Continued)

The Pool cedes reinsurance to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer become unable to meet its obligations under the reinsurance agreements.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2002 and 2001 (the latest information available):

	<u>2002</u>	<u>2001</u>
Assets	\$1,852,060	\$3,354,251
Liabilities	<u>(3,627,321)</u>	<u>(4,851,866)</u>
Retained deficit	<u>(\$1,775,261)</u>	<u>(\$1,497,615)</u>

9. JOINTLY GOVERNED ORGANIZATION

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

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON 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 financial statements of the Village of Carroll, Fairfield County, Ohio (the Village), as of and for the years ended December 31, 2003, and December 31 2002, and have issued our report thereon dated May 13, 2004, wherein we noted that the Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether 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 certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated May 13, 2004.

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 a material weakness. 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 a material weakness.

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

This report is intended for the information and use of the management and the Village Council, 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

May 13, 2004

**VILLAGE OF CARROLL
FAIRFIELD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-30623-001	Reportable Condition – No procedures to monitor income taxes collected by Third Party Administrator.	Yes	

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**Auditor of State
Betty Montgomery**

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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
JUNE 22, 2004**