



**CARROLL TOWNSHIP
OTTAWA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2009



Mary Taylor, CPA
Auditor of State

**CARROLL TOWNSHIP
OTTAWA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings	17
Schedule of Prior Audit Findings	22

This page intentionally left blank.



Mary Taylor, CPA
Auditor of State

Carroll Township
Ottawa County
11080 West Toussaint East Road
Oak Harbor, Ohio 43449-8820

To the Board of Trustees:

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 3, 2010

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Carroll Township
Ottawa County
11080 West Toussaint East Road
Oak Harbor, Ohio 43449-8820

To the Board of Trustees:

We have audited the accompanying financial statements of Carroll Township, Ottawa County, (the Township) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2009 and 2008, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Carroll Township, Ottawa County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2010, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

December 3, 2010

**CARROLL TOWNSHIP
OTTAWA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Other Local Taxes	\$540,832	\$186,494		\$727,326
Charges for Services	4,661			4,661
Licenses, Permits, and Fees	12,849	900		13,749
Fines and Forfeitures	3,475			3,475
Intergovernmental	708,650	272,502		981,152
Special Assessments		28,376		28,376
Earnings on Investments	5,191	2,697		7,888
Miscellaneous	17,505	1,352		18,857
	1,293,163	492,321		1,785,484
Cash Disbursements:				
Current:				
General Government	522,314	7,000		529,314
Public Safety	448,667			448,667
Public Works	176,367	276,269		452,636
Health	61,393			61,393
Capital Outlay		81,198	\$200,132	281,330
Debt Service:				
Redemption of Principal		13,917		13,917
Interest and Other Fiscal Charges		3,769		3,769
	1,208,741	382,153	200,132	1,791,026
Total Receipts Over/(Under) Disbursements	84,422	110,168	(200,132)	(5,542)
Other Financing Receipts:				
Sale of Fixed Assets		5,856		5,856
Other Financing Sources	1,752			1,752
	1,752	5,856		7,608
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements	86,174	116,024	(200,132)	2,066
Fund Cash Balances, January 1	1,523,397	1,537,943	1,021,213	4,082,553
Fund Cash Balances, December 31	\$1,609,571	\$1,653,967	\$821,081	\$4,084,619

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

**CARROLL TOWNSHIP
OTTAWA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$534,135	\$184,127		\$718,262
Charges for Services	8,000			8,000
Licenses, Permits, and Fees	4,809	1,950		6,759
Fines and Forfeitures	4,655			4,655
Intergovernmental	785,527	262,008		1,047,535
Special Assessments		35,345		35,345
Earnings on Investments	53,232	21,878		75,110
Miscellaneous	19,444	3,244		22,688
	<u>1,409,802</u>	<u>508,552</u>		<u>1,918,354</u>
Cash Disbursements:				
Current:				
General Government	551,756			551,756
Public Safety	424,000			424,000
Public Works	126,400	400,286		526,686
Health	59,564			59,564
Capital Outlay		44,368	\$84,738	129,106
Debt Service:				
Redemption of Principal		13,037		13,037
Interest and Other Fiscal Charges		4,336		4,336
	<u>1,161,720</u>	<u>462,027</u>	<u>84,738</u>	<u>1,708,485</u>
Total Receipts Over/(Under) Disbursements	<u>248,082</u>	<u>46,525</u>	<u>(84,738)</u>	<u>209,869</u>
Other Financing Receipts / (Disbursements):				
Sale of Fixed Assets		6,086		6,086
Other Financing Uses	(1,881)			(1,881)
	<u>(1,881)</u>	<u>6,086</u>		<u>4,205</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	246,201	52,611	(84,738)	214,074
Fund Cash Balances, January 1	<u>1,277,196</u>	<u>1,485,332</u>	<u>1,105,951</u>	<u>3,868,479</u>
Fund Cash Balances, December 31	<u>\$1,523,397</u>	<u>\$1,537,943</u>	<u>\$1,021,213</u>	<u>\$4,082,553</u>

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

**CARROLL TOWNSHIP
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Carroll Township, Ottawa County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, police and fire protection and emergency medical services.

The Township participates in one public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is a public entity risk pool and provides property and casualty insurance for its members.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

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

STAR Ohio is recorded at share values the State Treasurer reports.

D. Fund Accounting

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

1. General Fund

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

**CARROLL TOWNSHIP
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant special revenue fund:

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects. The Township had the following significant capital project fund:

Permanent Improvement Fund – Received operating transfers from the General Fund in prior years. The proceeds are being used to fund capital related expenditures of equipment and building improvements.

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 or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

The Township did not encumber all commitments required by Ohio law.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

**CARROLL TOWNSHIP
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

F. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2009	2008
Demand deposits	\$1,293,059	\$1,298,683
STAR Ohio	2,791,560	2,783,870
Total deposits and investments	\$4,084,619	\$4,082,553

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$1,602,100	\$1,294,915	(\$307,185)
Special Revenue	703,400	498,177	(205,223)
Capital Projects	5,000		(5,000)
Total	\$2,310,500	\$1,793,092	(\$517,408)

**CARROLL TOWNSHIP
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. BUDGETARY ACTIVITY – (CONTINUED)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,298,336	\$1,208,741	\$2,089,595
Special Revenue	930,696	382,153	548,543
Capital Projects	1,020,000	200,132	819,868
Total	\$5,249,032	\$1,791,026	\$3,458,006

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,001,700	\$1,409,802	(\$591,898)
Special Revenue	634,750	514,638	(120,112)
Capital Projects	380,000		(380,000)
Total	\$3,016,450	\$1,924,440	(\$1,092,010)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,771,722	\$1,163,601	\$608,121
Special Revenue	520,970	462,027	58,943
Capital Projects	1,000,000	84,738	915,262
Total	\$3,292,692	\$1,710,366	\$1,582,326

Contrary to Ohio law, appropriations exceeded estimated resources in the General Fund by \$1,696,236, the Motor Vehicle License Fund by \$32,500, the Gasoline Tax Fund by \$30,000, the Road and Bridge Fund by \$77,183, the Cemetery Fund by \$26,352, the Dock Tax Toussaint Fund by \$8,201, the Dock Tax Turtle Creek Fund by \$53,061, and the Permanent Improvement Fund by \$1,015,000 for the year ended December 31, 2009. This also applied for the year ended December 31, 2008 for the Dock Tax Toussaint Fund by \$6,896, the Dock Tax Turtle Creek Fund by \$13,073, and the Permanent Improvement Fund by \$620,000.

**CARROLL TOWNSHIP
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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 Township.

5. DEBT

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest Rate
Special Assessment Bonds	\$77,104	4.3%

The Township issued special assessment bonds to improve waterways by constructing break wall improvements at Turtle Creek. The bonds are collateralized by the Township's taxing authority.

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

	Special Assessment Bonds
Year ending December 31:	onds
2010	\$17,373
2011	17,373
2012	17,373
2013	17,373
2014	17,373
Total	\$86,865

6. RETIREMENT SYSTEM

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

**CARROLL TOWNSHIP
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

6. RETIREMENT SYSTEM – (CONTINUED)

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. Policemen of the Township covered under OPERS contributed 10.1% of their gross salaries and the Township contributed an amount equaling 17.63 and 17.4%, respectively, of participant's gross salaries. The Township pays the entire employee portion for all full-time employees as a fringe benefit. The Township has paid all contributions required through December 31, 2009.

7. RISK MANAGEMENT

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2009, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008 (the latest information available):

	<u>2009</u>	<u>2008</u>
Assets	\$38,982,088	\$40,737,740
Liabilities	<u>(12,880,766)</u>	<u>(12,981,818)</u>
Net Assets	<u>\$26,101,322</u>	<u>\$27,755,922</u>

**CARROLL TOWNSHIP
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

7. RISK MANAGEMENT – (CONTINUED)

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$12.0 and \$12.1 million of estimated incurred claims payable. The assets above also include approximately \$11.5 and \$10.9 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Township's share of these unpaid claims collectible in future years is approximately \$39,000.

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

<u>Contributions to OTARMA</u>	
<u>2009</u>	<u>2008</u>
\$36,187	\$41,498

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

8. OUTSTANDING LOAN RECEIVABLE

A. The Township entered into a loan agreement with the Carroll Water and Sewer District in accordance with the Ohio Revised Code Sections 505.705 and 6119.04. The agreement has provided that the Township could loan funds to the District to be used for the construction of the water and sewer facilities. The Township assesses interest at the current rate paid by STAR Ohio (the State Treasury Asset Reserve).

As of December 31, 2009, the outstanding receivable owed to the Township totaled \$1,892,936.

B. On February 16, 2005, the Township entered into a \$50,000 interest free loan agreement with the Carroll Township Fire and EMS Services, Inc., and on February 15, 2006, the Township entered into an additional \$25,000 loan agreement with the Carroll Township Fire and EMS Services, Inc. for the purpose of constructing and maintaining a memorial for Carroll Township Fire, Emergency Medical, and Police Personnel in Carroll Township, Ottawa County, Ohio. The loan agreement states the repayment to be at the rate of \$5,000 per year on the 1st of March each year until it is repaid in full to the Board of Carroll Township Trustees.

As of December 31, 2009, the outstanding receivable owed to the Township totaled \$50,000.

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

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

Carroll Township
Ottawa County
11080 West Toussaint East Road
Oak Harbor, Ohio 43449-8820

To the Board of Trustees:

We have audited the financial statements of Carroll Township, Ottawa County, (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated December 3, 2010, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness and another deficiency we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-004 described in the accompanying schedule of findings to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2009-002 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001 through 2009-004.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated December 3, 2010.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the audit committee, the Board of Trustees and others within the Township. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

December 3, 2010

CARROLL TOWNSHIP
OTTAWA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008

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

FINDING NUMBER 2009-001

Noncompliance Citation

Ohio Revised Code § 5705.41(D)(1) states 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 for the order or contract 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. Every such contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – If the fiscal officer can certify both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), sufficient funds were available or in the process of collection, to the credit of an appropriate fund, free from any previous encumbrances, the Board can authorize the drawing of a warrant for the payment of the amount due. The Board has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This exception does not eliminate any otherwise applicable requirement for approval of expenditures by the Board.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Board may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification may, but need not, be limited to a specific vendor. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Fifty-nine percent of transactions tested were not properly certified by the Fiscal Officer at the time the commitments were incurred, and there was no evidence the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2009-001
 (CONTINUED)**

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Fiscal Officer certify all purchases to which Ohio Revised Code § 5705.41(D) applies. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of Ohio Revised Code § 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials' Response:

Every effort is made to properly certify funds (Purchase orders and items being purchased by township employees) prior to purchases. Some of these errors were due to the numerous fatal errors that occurred from the UAN software. When this happened it wiped out all information and had to be re-entered. While re-entering all of the information for a second time, it is easy to make a mistake. Some of the purchase orders, blanket certificates and checks were entered in batches to save time and some of the tested controls would show false because of this as well. UAN advised that re-entering all of the data was the only way to proceed. We will continue to work and improved on these items and to carry out these guidelines as set forth in the future.

FINDING NUMBER 2009-002

Noncompliance Citation/Significant Deficiency

Ohio Revised Code § 5705.10(D) states all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

The Fiscal Officer posted personal property tax elimination reimbursements, homestead and rollbacks, motor vehicle tax, gasoline tax, and estate taxes to the wrong funds. The following table shows the amounts in error and the amounts we adjusted to correct the fund balances:

<u>Fund Type/Fund</u>	<u>2009 Amount Adjusted</u>	<u>2008 Amount Adjusted</u>
General Fund	\$1,049	(\$9,608)
Special Revenue Fund Type:		
Road and Bridge Fund	7,514	7,476
Motor Vehicle License Fund	(1,478)	2,132
Gasoline Tax Fund	(7,085)	

The accompanying financial statements and Township accounting records have been adjusted to reflect these changes.

**FINDING NUMBER 2009-002
(CONTINUED)**

Sound financial reporting is the responsibility of the Fiscal Officer and Trustees and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and the Board of Trustees, to identify and correct errors and omissions, as well as recording correct budgetary information. Also, the Fiscal Officer can refer to the Ohio Township Handbook available from the following web address for guidance on the posting of transactions: http://www.auditor.state.oh.us/services/lgs/publications/LocalGovernmentManualsHandbooks/ohio_township_handbook.pdf.

Officials' Response:

An error was made in posting of a deposit. Some of the accounts that were used are those that were passed on to me in previous audits and used thereafter. Some of these errors were due to the numerous fatal errors that occurred from the UAN software. When this happened it wiped out all information and had to be re-entered. While re-entering all of the information for a second time, it is easy to make a mistake. UAN advised that re-entering all of the data was the only way to proceed. I will try to double check deposits in the future and am working with the audit supervisor to get an updated list of correct funds and use them for deposits in the future.

FINDING NUMBER 2009-003

Noncompliance Citation

Ohio Revised Code § 5705.39 states that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission, or in case of appeal, by the board of tax appeals. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as "estimated resources" because it includes unencumbered fund balances.

**FINDING NUMBER 2009-003
 (CONTINUED)**

The following funds had appropriations exceeding estimated resources:

<u>Funds</u>	<u>Certified Resources</u>	<u>Total Appropriations</u>	<u>Excess</u>
December 31, 2009			
General Fund	\$1,602,100	\$3,298,336	(\$1,696,236)
Motor Vehicle License Fund	27,500	60,000	(32,500)
Gasoline Tax Fund	130,000	160,000	(30,000)
Road and Bridge Fund	512,500	589,683	(77,183)
Cemetery Fund	3,000	29,352	(26,352)
Dock Tax Toussaint Fund	5,400	13,601	(8,201)
Dock Tax Turtle Creek Fund	25,000	78,061	(53,061)
Permanent Improvement Fund	5,000	1,020,000	(1,015,000)
December 31, 2008			
Dock Tax Toussaint Fund	11,000	17,896	(6,896)
Dock Tax Turtle Creek Fund	35,000	48,073	(13,073)
Permanent Improvement Fund	380,000	1,000,000	(620,000)

Each of the funds above had revenues that were sufficient so as to allow the Fiscal Officer to obtain an amended certificate to cover approved appropriations. The failure to limit appropriations to amounts certified could allow for deficit spending practices, resulting in deficit fund balances.

The Fiscal Officer should monitor estimated resources and appropriations throughout the year and make the necessary modifications, with the approval of the Board of Trustees, to avoid appropriations exceeding estimated resources to avoid overspending.

Officials' Response:

Due to tough economic times and decreasing revenues it is very difficult to gauge exact revenues. We were also planning on starting a loan repayment schedule with the Carroll Water and Sewer District and that money was included with these revenues. We do our best to budget these items and will be more diligent in the future.

FINDING NUMBER 2009-004

Noncompliance Citation/Material Weakness

Ohio Revised Code § 135.21 states that all investment earnings on money included within a public deposit of a subdivision, except as otherwise expressly provided by law, shall be credited to the general fund.

The Fiscal Officer incorrectly allocated interest to the Permanent Improvement Fund, a capital project fund type. The following adjusting entries have been made by the Fiscal Officer and are reflected in the financial statements and in the Township's accounting records. For 2009 and 2008, the General Fund's earnings on investments increased and the Permanent Improvement Fund's decreased by \$2,673 and \$20,442, respectively.

We recommend the Fiscal Officer only post interest revenues to those allowed by funds by statute.

Officials' Response:

An error was made in posting of a deposit. As a result of the error the interest that should have followed that item was incorrectly posted as well. Some of these errors were due to the numerous fatal errors that occurred from the UAN software. When this happened it wiped out all information and had to be re-entered. While re-entering all of the information for a second time, it is easy to make a mistake. UAN advised that re-entering all of the data was the only way to proceed. I will try to double check deposits and interest in the future.

**CARROLL TOWNSHIP
OTTAWA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	ORC 5705.41(D) for not certifying funds prior to incurring an expense.	No	Not corrected and reissued as 2009-001 in this report.
2007-002	ORC 5705.39 for appropriations exceeding total estimated resources.	No	Not corrected and reissued as 2009-003 in this report.
2007-003	ORC 5705.10(D) for not posting revenues to the correct funds.	No	Not corrected and reissued as 2009-002 in this report.
2007-004	Financial Reporting for amounts not properly recording transactions which required reclassifications and adjustments to the financial statements.	No	Partially corrected and reported as a management letter comment for the current audit.



Mary Taylor, CPA
Auditor of State

CARROLL TOWNSHIP

OTTAWA 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
DECEMBER 16, 2010**