



Dave Yost • Auditor of State

CARROLL TOWNSHIP
OTTAWA COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Carroll Township, Ottawa County, Ohio (the Township) as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Additional Opinion Qualification* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2015 and 2014, or changes in financial position thereof for the years then ended.

Basis for Additional Opinion Qualification

During 2014 Carroll Township failed to properly retain time sheets in accordance with applicable Ohio Rev. Code provisions. Non-salary related compensation of \$368,482 represents twenty-five percent of the total General Fund disbursements for the year ended December 31, 2014. Non-salary related compensation of \$156,995 represents thirty-three percent of Special Revenue Fund Type disbursements for the year ended December 31, 2014. As a result of the noncompliance, we were unable to obtain sufficient appropriate audit evidence to support the hours worked upon which compensation for non-salary employees is calculated. Consequently we were unable to determine whether any adjustments to these amounts were necessary.

Additional Opinion Qualification

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Carroll Township, Ottawa County, Ohio as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2017, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

September 21, 2017

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**CARROLL TOWNSHIP
OTTAWA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$587,567	\$192,192		\$779,759
Charges for Services	2,000			2,000
License, Permits, and Fees	8,796	2,000		10,796
Fines and Forfeitures	7,833			7,833
Intergovernmental	641,772	242,141		883,913
Special Assessments		10,517		10,517
Earnings on Investments	2,117	1,217	\$650	3,984
Miscellaneous	32,063	3,566		35,629
<i>Total Cash Receipts</i>	<u>1,282,148</u>	<u>451,633</u>	<u>650</u>	<u>1,734,431</u>
Cash Disbursements				
Current:				
General Government	811,986	7,500		819,486
Public Safety	460,813			460,813
Public Works	153,590	508,879		662,469
Capital Outlay	62,989		35,084	98,073
Debt Service:				
Redemption of Principal		29,389		29,389
<i>Total Cash Disbursements</i>	<u>1,489,378</u>	<u>545,768</u>	<u>35,084</u>	<u>2,070,230</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(207,230)</u>	<u>(94,135)</u>	<u>(34,434)</u>	<u>(335,799)</u>
Other Financing Receipts				
Other Financing Sources	5,393			5,393
<i>Net Change in Fund Cash Balances</i>	<u>(201,837)</u>	<u>(94,135)</u>	<u>(34,434)</u>	<u>(330,406)</u>
<i>Fund Cash Balances, January 1</i>	<u>1,225,456</u>	<u>1,593,527</u>	<u>530,047</u>	<u>3,349,030</u>
Fund Cash Balances, December 31				
Restricted		1,151,444		1,151,444
Committed		347,948		347,948
Assigned	1,023,619		495,613	1,519,232
<i>Fund Cash Balances, December 31</i>	<u>\$1,023,619</u>	<u>\$1,499,392</u>	<u>\$495,613</u>	<u>\$3,018,624</u>

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

**CARROLL TOWNSHIP
OTTAWA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$610,918	\$203,640		\$814,558
License, Permits, and Fees	9,321	800		10,121
Fines and Forfeitures	7,143			7,143
Intergovernmental	618,937	245,474		864,411
Special Assessments		6,273		6,273
Earnings on Investments	533	318	\$143	994
Miscellaneous	27,037	3,231		30,268
<i>Total Cash Receipts</i>	<u>1,273,889</u>	<u>459,736</u>	<u>143</u>	<u>1,733,768</u>
Cash Disbursements				
Current:				
General Government	620,920	4,375		625,295
Public Safety	505,100			505,100
Public Works	282,593	356,537		639,130
Health	20,534	4,144		24,678
Conservation - Recreation	16,533			16,533
Capital Outlay	47,370	108,999	18,504	174,873
<i>Total Cash Disbursements</i>	<u>1,493,050</u>	<u>474,055</u>	<u>18,504</u>	<u>1,985,609</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(219,161)</u>	<u>(14,319)</u>	<u>(18,361)</u>	<u>(251,841)</u>
Other Financing Receipts				
Sale of Capital Assets		134		134
<i>Net Change in Fund Cash Balances</i>	<u>(219,161)</u>	<u>(14,185)</u>	<u>(18,361)</u>	<u>(251,707)</u>
<i>Fund Cash Balances, January 1</i>	<u>1,444,617</u>	<u>1,607,712</u>	<u>548,408</u>	<u>3,600,737</u>
Fund Cash Balances, December 31				
Restricted		1,283,102		1,283,102
Committed		310,425		310,425
Assigned	6,504		530,047	536,551
Unassigned	1,218,952			1,218,952
<i>Fund Cash Balances, December 31</i>	<u>\$1,225,456</u>	<u>\$1,593,527</u>	<u>\$530,047</u>	<u>\$3,349,030</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, 2015 AND 2014**

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, Ohio (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, parks and recreation services, and general government services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. OTARMA provides property and casualty coverage for its members. Note 7 to the financial statements provides additional information for this entity.

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 permitted by the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(D). 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 financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(D) permit.

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.

Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31.

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

**CARROLL TOWNSHIP
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

2. Special Revenue Funds

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

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

Gas Tax Fund – This fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Motor Vehicle License Tax Fund – This fund receives motor vehicle license tax money to pay for constructing, maintaining, and repairing Township roads.

3. Capital Projects Funds

These funds account for and report financial resources that are assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant Capital Project Fund:

Permanent Improvement Fund – This fund receives transfers and earnings on investments to be disbursed for capital related expenditures or equipment and building improvements.

E. Budgetary Process

The Ohio Revised Code requires 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. 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 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 carried over, and need not be reappropriated.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

**CARROLL TOWNSHIP
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

F. Fund Balance

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

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**CARROLL TOWNSHIP
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

G. 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.

H. 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 investment 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:

	2015	2014
Demand deposits	\$214,400	\$548,732
STAR Plus	2,804,224	
Total deposits	3,018,624	548,732
STAR Ohio		2,800,298
Total deposits and investments	\$3,018,624	\$3,349,030

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 ended December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General		\$1,287,541	\$1,287,541
Special Revenue		451,633	451,633
Capital Projects		650	650
Total		\$1,739,824	\$1,739,824

**CARROLL TOWNSHIP
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$6,504	\$1,489,378	(\$1,482,874)
Special Revenue		545,768	(545,768)
Capital Projects		35,084	(35,084)
Total	<u>\$6,504</u>	<u>\$2,070,230</u>	<u>(\$2,063,726)</u>

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,641,004	\$1,273,889	(\$367,115)
Special Revenue	727,000	459,870	(267,130)
Capital Projects	50,986	143	(50,843)
Total	<u>\$2,418,990</u>	<u>\$1,733,902</u>	<u>(\$685,088)</u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,947,200	\$1,499,554	\$447,646
Special Revenue	565,000	474,055	90,945
Capital Projects	475,000	18,504	456,496
Total	<u>\$2,987,200</u>	<u>\$1,992,113</u>	<u>\$995,087</u>

Contrary to Ohio law, expenditures exceed appropriations for all funds during 2015 and in the Gasoline Tax Fund in 2014.

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.

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, 2015 was as follows:

**CARROLL TOWNSHIP
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

	Principal	Interest Rate
OPWC Loan #CE540	\$117,929	0%
OPWC Loan #CE46Q	21,310	0%
Total	\$139,239	

Ohio Public Works Commission (OPWC) Loan #CE540 relates to the Toussaint Portage Road and Fick Road Resurfacing project. The Township will repay the loans through semiannual installments of \$9,071 through the year 2022. OPWC Loan #CE4Q relates to a joint road resurfacing project between Carroll, Allen, and Benton townships. The amount disclosed above represents the Township's portion of the outstanding loan amount. The loan will be repaid in annual installments of \$2,610 through the year 2023.

Amortization of the above debt is scheduled as follows:

Year ending December 31:	OPWC Loans
2016	\$11,681
2017	20,752
2018	20,752
2019	20,752
2020	20,752
2021-2023	44,550
Total	\$139,239

6. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS - Regular members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. For 2015 and 2014 Police Officers of the Township covered under OPERS – Law Enforcement contributed 13% of their gross salaries and the Township contributed an amount equaling 18.10% of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

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.

**CARROLL TOWNSHIP
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. 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

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2015, OTARMA retained \$350,000 for casualty claims and \$250,000 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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Assets	\$37,313,311	\$35,970,263
Liabilities	8,418,518	8,912,432
Net Position	\$28,894,793	\$27,057,831

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$29,000.

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.

**CARROLL TOWNSHIP
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

<u>Contributions to OTARMA</u>	
<u>2015</u>	<u>2014</u>
\$53,859	\$52,654

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 LOANS RECEIVABLE

A. The Township entered into a loan agreement with the Carroll Water and Sewer District in accordance with the Ohio Rev. 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 does not assess interest on this loan.

As of December 31, 2015, the outstanding receivable owed to the Township totaled \$1,722,365.

B. On February 16, 2005, the Township entered into a \$50,000 interest free loan agreement with Carroll Township Fire and EMS Services, Inc., and on February 15, 2006, the Township entered into an additional \$25,000 loan agreement with 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, 2015, the outstanding receivable owed to the Township totaled \$5,000.

9. COMPLIANCE

Contrary to Ohio law, the Township failed to properly retain public records.

The Township failed to compensate the Trustees and Fiscal Officer in accordance with Ohio law.

10. SUBSEQUENT EVENT

OPERS has undertaken a review of employment records to identify possible errors in amounts reported as earnable wages and pension amounts withheld. Township management does not believe the ultimate disposition of this review will have a material effect on the financial condition of the Township.



Dave Yost • Auditor of State

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

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

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Carroll Township, Ottawa County, Ohio (the Township) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated September 21, 2017 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also qualified our opinion due to the lack of sufficient appropriate audit evidence supporting the amounts recorded as non-salaried compensation.

Internal Control Over Financial Reporting

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

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

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. We consider findings 2015-001 and 2015-005 through 2015-007 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2015-003 and 2015-004 described in the accompanying schedule of findings to be significant deficiencies.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2015-001 through 2015-004.

Entity's Response to Findings

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.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

September 21, 2017

**CARROLL TOWNSHIP
OTTAWA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

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

FINDING NUMBER 2015-001

Noncompliance Citation / Material Weakness

Ohio Rev. Code § 149.351(A) provides that all records are the property of the public office concerned and shall not be removed, destroyed, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided under sections 149.38 to 149.42 of the Ohio Rev. Code.

The following records could not be located due to deficiencies in the Township's internal controls over monitoring of public records:

- Minutes for meetings held in 2014 on January 15, February 4, February 27, March 4, March 5, and March 19;
- All hourly employee timesheets for 2014; and
- 2015 Permanent Appropriation Resolution.

The minutes serve to document actions taken during open meetings; a failure to prepare, file, and maintain minutes of open meetings could render Township decisions void. The failure to retain time sheets results in the inability to determine if compensation to non-salaried employees was based upon actual time worked. The failure to retain appropriation resolutions results in the inability to determine if budgetary activity recorded in the accounting system is accurate, and it impairs the ability to monitor financial activity.

The Township should implement procedures to ensure all public records are retained in accordance with the provisions of this section.

Official's Response:

Upon taking office on April 1, 2016, newly elected Fiscal Officer, Tina Gyde, became aware of this issue. The appropriate procedures have been implemented to bring the Township into compliance.

FINDING NUMBER 2015-002

Noncompliance Citation

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing unit from making any expenditure of money unless it has been lawfully appropriated.

For 2015, appropriations reported in the accounting system were reduced to \$0 for all funds because no supporting documentation was provided to support the amounts posted to the accounting system. For 2014, the Township lacked controls over monitoring of budgetary compliance. As a result of these matters, the following funds had expenditures in excess of appropriations:

**FINDING NUMBER 2015-002
 (CONTINUED)**

Fund (Fund Type)	Expenditures	Appropriations	Excess
December 31, 2015:			
General Fund	\$ 1,489,378	\$ -	\$ 1,489,378
Special Revenue Fund Type (All funds)	388,504	-	388,504
Permanent Improvement Fund (Capital Projects Fund Type)	35,084	-	35,084
December 31, 2014:			
Gasoline Tax Fund (Special Revenue Fund Type)	\$ 16,111	\$ -	\$ 16,111

The budgeting process is an essential monitoring control that, when properly used, reduces the possibility of the Township encountering deficit spending. The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request the Township Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

Official's Response:

Upon taking office on April 1, 2016, newly elected Fiscal Officer, Tina Gyde, became aware of this issue. The appropriate procedures have been implemented to bring the Township into compliance.

FINDING NUMBER 2015-003

Finding for Recovery / Significant Deficiency

Ohio Rev. Code § 505.24, as effective on September 29, 2011, establishes a daily rate of compensation for each Township Trustee based upon the annual budget of the Township and no more than two hundred (200) days annually. For the purposes of Ohio Rev. Code § 505.24, 'budget' refers to the official certificate of estimated resources and any amended certificates issued by the county budget commission.

For 2015, former Fiscal Officer Jessica Brough failed to certify the total amount from all sources available for expenditures from each fund as required by Ohio Rev. Code § 5705.36 prior to December 31, 2015; therefore, per Ohio Auditor of State policy, no certificate of estimated resources was received from the county budget commission during the year ended December 31, 2015, resulting in certified resources of \$0. In order to determine the reasonableness of amounts compensated to each Township Trustee, the sum of unencumbered January 1, 2015 fund balance and actual receipts for all funds was calculated as follows:

Unencumbered January 1, 2015 Balance (All Funds)	Actual Receipts (All Funds)	Total
\$3,342,526	\$1,739,824	\$5,082,350

The above calculated amount yields a daily rate of compensation of \$61.73 and a maximum annual compensation of \$12,346. However, as the chart below illustrates, each Trustee was compensated \$15,998 in 2015, an overpayment of \$3,652 to each Trustee.

**FINDING NUMBER 2015-003
 (CONTINUED)**

Trustee	Calculated 2015 Compensation Due	2015 Compensation Paid	2015 Overpayment
Rodney Biggert	\$12,346	\$15,998	\$3,652
Kenneth Gyde	12,346	15,998	3,652
Donald St. Clair	12,346	15,998	3,652

For 2014, the Township received an amended certificate of estimated resources. Ohio Rev. Code § 505.24, as effective on September 29, 2011, establishes a daily rate of compensation based upon various budget dollar amounts, including a tier for budgets exceeding \$6,000,001. Since the Township's certified resources of \$6,002,736 were just slightly over this threshold, we compared the estimated receipts to actual receipts in order to determine if the estimate was reasonable. We noted the following:

2014 Certified Resources (All Funds)	Unencumbered 01/01/14 Balance (All Funds)	2014 Estimated Receipts (All Funds)	2014 Actual Receipts (All Funds)	Estimated versus Actual Variance	
				\$	%
\$6,002,736	\$3,600,736	\$2,402,000	\$1,733,902	\$668,098	27.81%

OAG Opinions 1935-4043 and 1987-032 indicate that the amount that may be certified by a fiscal officer in the first amended official certificate of estimated resources includes amounts which are "reasonably certain to become available during the fiscal year." The estimated receipts for 2014 do not appear reasonably certain to become available in the fiscal year given the identified variance of 27.81%. Our discussions with Township management identified no matters to support the additional estimated amount. The daily rate for an annual budget in the \$3,500,001 - \$6,000,000 range is \$61.73 for a maximum annual compensation of \$12,346. The table below summarizes the difference in compensation based upon a reasonable estimate within the \$3,500,001 - \$6,000,000 compared with the actual amounts compensated:

Trustee	2014 Compensation \$3,500,001 - \$6,000,000 Range	2014 Compensation Paid	2014 Overpayment
Rodney Biggert	\$12,346	\$15,998	\$3,652
Kenneth Gyde	12,346	15,998	3,652
Donald St. Clair	12,346	15,998	3,652

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended in favor of the Carroll Township General Fund is hereby issued against Rodney Biggert in the amount of \$7,304, against Kenneth Gyde in the amount of \$7,304, and against Donald St. Clair in the amount of \$7,304.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten*, 18 Ohio St.3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

**FINDING NUMBER 2015-003
 (CONTINUED)**

Former Fiscal Officer Jessica Brough authorized the direct deposit resulting in improper payments. Former Fiscal Officer Jessica Brough and her bonding company, Travelers Casualty and Surety Company of America, are jointly and severally liable in the amount of \$21,912 and in favor of the Carroll Township General Fund to the extent that recovery is not obtained from Rodney Biggert, Kenneth Gyde, and Donald St. Clair.

Official's Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2015-004

Finding for Recovery / Significant Deficiency

Ohio Rev. Code § 507.09, as effective on September 29, 2011, establishes the annual rate of compensation for the Fiscal Officer based upon the annual budget of the Township. For the purposes of Ohio Rev. Code § 507.09, 'budget' refers to the official certificate of estimated resources and any amended certificates issued by the county budget commission.

For 2015, former Fiscal Officer Jessica Brough failed to certify the total amount from all sources available for expenditures from each fund as required by Ohio Rev. Code § 5705.36 prior to December 31, 2015; therefore, per Ohio Auditor of State policy, no certificate of estimated resources was received from the county budget commission during the year ended December 31, 2015, resulting in certified resources of \$0. In order to determine the reasonableness of amounts compensated to each Township Trustee, the sum of unencumbered January 1, 2015 fund balance and actual receipts for all funds was calculated as follows:

Unencumbered January 1, 2015 Balance (All Funds)	Actual Receipts (All Funds)	Total
\$3,342,526	\$1,739,824	\$5,082,350

The above calculated amount yields an annual compensation of \$21,221. However, the actual compensation paid in 2015 to Fiscal Officer Jessica Brough totaled \$24,355 resulting in an overpayment of \$3,134.

For 2014, the Township received an amended certificate of estimated resources. Ohio Rev. Code § 507.09, as effective on September 29, 2011, establishes an annual rate of compensation for a Fiscal Officer based upon various budget dollar amounts, including a tier for budgets exceeding \$6,000,001. Since the Township's certified resources of \$6,002,736 were just slightly over this threshold, we compared the estimated receipts to actual receipts in order to determine if the estimate was reasonable. We noted the following:

2014 Certified Resources (All Funds)	Unencumbered 01/01/14 Balance (All Funds)	2014 Estimated Receipts (All Funds)	2014 Actual Receipts (All Funds)	Estimated versus Actual Variance	
				\$	%
\$6,002,736	\$3,600,736	\$2,402,000	\$1,733,902	\$668,098	27.81%

**FINDING NUMBER 2015-004
(CONTINUED)**

OAG Opinions 1935-4043 and 1987-032 indicate that the amount that may be certified by a fiscal officer in the first amended official certificate of estimated resources includes amounts which are "reasonably certain to become available during the fiscal year." The estimated receipts for 2014 do not appear reasonably certain to become available in the fiscal year given the identified variance of 27.81%. Our discussions with Township management identified no matters to support the additional estimated amount. The annual compensation for a Fiscal Officer based upon an annual budget in the \$3,500,001 - \$6,000,000 range is \$21,221. Actual compensation paid in 2014 totaled \$24,355 resulting in an overpayment of \$3,134.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Jessica Brough, Former Fiscal Officer, in the amount of \$6,268, and in favor of the Carroll Township General Fund.

Official's Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2015-005

Material Weakness – Bank Reconciliations and Receipting

Transactions should be posted to the accounting system timely and bank reconciliations should be prepared on a monthly basis and monitored by the Board. The Fiscal Officer did not perform bank to book reconciliations in a timely manner throughout the audit period. Additionally, deposits were not posted to the accounting system in a timely manner. We identified the following issues relative to bank reconciliations and receipting due to a lack of controls over bank reconciliations and receipt monitoring:

- In 2014 the January through December reconciliations were completed between December 17 and December 31;
- In 2015 the January through April reconciliations were completed on August 15, 2015, the May reconciliation was completed September 6, 2015, the June reconciliation was completed on November 15, 2015, and the July through October reconciliations were completed November 16, 2015;
- Of the twenty-four monthly reconciliations during the audit period none were reviewed and approved by the Board of Trustees; and
- Deposits were not posted timely on the UAN system by the Fiscal Officer. In 2014 the Fiscal Officer only posted revenue to the UAN system in May and December, 2014. In 2015 the Fiscal Officer only posted revenue to the UAN system in August, November, and December, 2015.

The failure to record deposits to the accounting system in a timely manner results in a lack of accurate financial data being provided to the Board of Trustees. This condition limits the ability of the Board of Trustees to appropriately monitor financial activity, and could hinder the decision making process as decisions are being made on the basis of inaccurate financial data. The failure to perform monthly book to bank reconciliations could permit errors to occur and go undetected.

**FINDING NUMBER 2015-005
(CONTINUED)**

The monitoring of Township financial activities is the responsibility of the Fiscal Officer and Board of Trustees and is essential to ensure proper financial reporting. The Fiscal Officer should perform bank reconciliations on a monthly basis. During the monthly reconciliation process all errors identified should be researched to find the source of the error and any required corrections to the accounting data should be corrected at that time. To enhance monitoring over the reconciliation process the Board of Trustees should review the monthly reconciliations. The review could be conducted monthly or at random intervals and should include selecting reconciling items and tracing the items to the underlying documentation to ensure the amounts are accurately bank reconciliation. Evidence of the review could be documented through reference in the minutes or initialing the reconciliation reviewed.

Official's Response:

Upon taking office on April 1, 2016, newly elected Fiscal Officer, Tina Gyde, became aware of this issue. The appropriate procedures have been implemented to address this control deficiency. Current Township management cannot speculate as to why the prior Fiscal Officer did not address the weakness reported during the 2013 and 2012 audit.

FINDING NUMBER 2015-006

Material Weakness – Payroll Postings to Uniform Accounting Network (UAN)

The Township utilizes a service organization to process bi-weekly payrolls. The service organization provides a series of reports that summarize the payroll related disbursements for the pay period. The Fiscal Officer did not record these disbursements to the accounting system in a timely manner due to a lack of controls over monitoring of payroll disbursements. We identified the following issues relative to the recording of payroll disbursements:

- Bi-weekly payroll disbursements for pay periods in January, 2015 through April, 2015 were posted by the Fiscal Officer to UAN in August 2015;
- Bi-weekly payroll disbursements for pay periods in May, 2015 were posted by the Fiscal Officer to UAN in September, 2015;
- Bi-weekly payroll disbursements for pay periods in June, 2015 through October, 2015 were posted by the Fiscal Officer to UAN in November, 2015; and
- Bi-weekly payroll disbursements for pay periods in January, 2014 through November, 2014 were posted by the Fiscal Officer to UAN in December, 2014.

Management was advised the failure to post the processed bi-weekly payroll to the accounting system in a timely manner results in interim financial reports lacking adequate data upon which decisions are made and limits the effectiveness of the monitoring of financial activity due to the lack of accuracy in reported interim financial data.

The Fiscal Officer should post bi-weekly payroll disbursements upon receipt of the reports from the service organization.

**FINDING NUMBER 2015-006
(CONTINUED)**

Official's Response:

Upon taking office on April 1, 2016, newly elected Fiscal Officer, Tina Gyde, became aware of this issue. The appropriate procedures have been implemented to address this control deficiency. Current Township management cannot speculate as to why the prior Fiscal Officer did not address the weakness reported during the 2013 and 2012 audit.

FINDING NUMBER 2015-007

Material Weakness - Financial Reporting

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

We identified the following errors requiring adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2015:

- General Fund estimated receipts were decreased in the amount of \$1,210,900 and appropriations were decreased in the amount of \$2,433,500 to bring amounts reported in the notes to the financial statements in line with authorized budget amounts;
- General Fund nonspendable fund balance in the amount of \$1,023,619 was reclassified to assigned in accordance with the provisions of Government Accounting Standards Board Statement No. 54;
- Special Revenue Fund Type estimated receipts were decreased in the amount of \$550,300 and appropriations were decreased in the amount of \$992,100 to bring amounts reported in the notes to the financial statements in line with authorized budget amounts;
- Road and Bridge Fund restricted fund balance in the amount of \$347,948 was reclassified to committed in accordance with the provisions of Government Accounting Standards Board Statement No. 54;
- Permanent Improvement Fund estimated receipts were decreased in the amount of \$25,500 and appropriations were decreased in the amount of \$300,000 to bring amounts reported in the notes to the financial statements in line with authorized budget amounts; and
- Permanent Improvement Fund nonspendable fund balance in the amount of \$495,613 was reclassified to assigned in accordance with the provisions of Government Accounting Standards Board Statement No. 54.

We also identified the following errors requiring adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2014:

- General Fund property and other local tax receipts in the amount of \$289,757 were improperly classified as intergovernmental receipts;

**FINDING NUMBER 2015-007
(CONTINUED)**

- General Fund nonspendable fund balance in the amount of \$1,225,456 was reclassified to assigned (\$6,504) and unassigned (\$1,218,952) in accordance with the provisions of Government Accounting Standards Board Statement No. 54;
- Road and Bridge Fund property and other local tax receipts in the amount of \$65,572 were improperly classified as intergovernmental receipts;
- Special Revenue Fund Type estimated receipts were decreased in the amount of \$245,500 and appropriations were decreased in the amount of \$122,500 to bring amounts reported in the notes to the financial statements in line with authorized budget amounts;
- Road and Bridge Fund restricted fund balance in the amount of \$310,425 was reclassified to committed in accordance with the provisions of Government Accounting Standards Board Statement No. 54;
- Permanent Improvement Fund appropriations were increased in the amount of \$455,000 to bring amounts reported in the notes to the financial statements in line with authorized budget amounts; and
- Permanent Improvement Fund nonspendable fund balance in the amount of \$530,047 was reclassified to assigned in accordance with the provisions of Government Accounting Standards Board Statement No. 54.

Additional errors were noted in smaller relative amounts for both years. These errors were not identified and corrected prior to the audit due to deficiencies in the Township's internal controls over financial statement monitoring. The accompanying financial statements and notes to the financial statements, and where applicable, the Township's accounting records have been adjusted to reflect these changes.

To help ensure the Township's financial statements and notes to the statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statement and notes by the Fiscal Officer, to identify and correct errors and omissions. The Fiscal Officer can refer to Auditor of State Bulletin 2011-004 at the following website address for information on Governmental Accounting Standards Board Statement No. 54:

<http://www.ohioauditor.gov/publications/bulletins/2011/2011-004.pdf>.

Additionally, the Fiscal Officer can refer to the Township Handbook at the following website address for guidance on the recording of transactions:

<https://ohioauditor.gov/publications/FINALTownshipHandbook%203-22-17.pdf>

Official's Response:

Upon taking office on April 1, 2016, newly elected Fiscal Officer, Tina Gyde, became aware of this issue. The appropriate procedures have been implemented to address this control deficiency. Current Township management cannot speculate as to why the prior Fiscal Officer did not address the weakness reported during the 2013 and 2012 audit.

**CARROLL TOWNSHIP
OTTAWA COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Status	Additional Information
2013-001	Ohio Rev. Code § 5705.36(A)(1) failure to certify resources.	Partially corrected and reissued as part of the management letter.	The Fiscal Officer issued a certificate for 2015 and 2014; however the 2015 certificate was not filed timely due to oversight on the part of the Fiscal Officer.
2013-002	Ohio Rev. Code § 5705.41(D)(1) failure to properly certify disbursements.	Corrected.	N/A
2013-003	Material weakness for the lack of timely bank reconciliation and receipt posting.	Not corrected and reissued as Finding 2015-005 in this report.	See Official's response to 2015-005.
2013-004	Material weakness for failure to record payroll disbursements to the accounting system in a timely manner.	Not corrected and reissued as finding 2015-006 in this report.	See Official's response to finding 2015-006.
2013-005	Material weakness for the failure to accurately record various transactions and improve monitoring of financial activity.	Not corrected and reissued as finding 2015-007 in this report.	See Official's response to finding 2015-007.

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Dave Yost • 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
OCTOBER 5, 2017**