



Mary Taylor, CPA
Auditor of State

**CARLISLE TOWNSHIP
LORAIN COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Carlisle Township
Lorain County
Board of Trustees
11969 LaGrange Road
LaGrange, OH 44050

To the Board of Trustees:

We were engaged to audit the financial statements of the Carlisle Township, Lorain County, Ohio (the Township) as of and for the years ended December 31, 2005 and December 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Township's management.

The Township did not provide a check register that listed payments in sequential order. Checks did not agree with what was recorded on the check register. Checks recorded on the check register did not appear on Township bank statements. The Township failed to record certain expenditure activities and the Township failed to encumber expenditures. Consequently, we were unable to verify the accuracy and completeness of the expenditure activities.

The Township did not provide a complete and accurate cash receipt journal. The Township's recording of receipt transactions to its accounting system were erroneous and were not supported by original support documentation. Consequently, we were unable to verify the accuracy and completeness of the receipt activities.

The Township's Minute Records did not contain relevant information for Township meetings or operations. Consequently, we were unable to verify the existence, completeness and accuracy of the Township's budgetary tax rates, special assessments and other necessary resolutions.

At the end of 2005, there was an unreconciled difference between reported financial statement balances and reconciled cash balances of \$308,387 plus \$248,660 in possible unrecorded debt service payments. At the end of 2004, the unreconciled difference was \$159,288 plus \$248,660 in possible unrecorded debt service payments.

The Trustee and current Fiscal Officer concluded that the financial and accounting records kept by the prior Fiscal Officer were incomplete and unreliable. The state of the records makes it impossible for the Trustees and current Fiscal Officer to make any factual representations regarding the accuracy of records which were beyond their immediate control. Auditing Standards Section 333 requires these signed representations as a condition for the auditor to issue an unqualified opinion.

The accompanying financial statements omit all note disclosures required or permitted by the Auditor of State.

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 Library 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.

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 disclaimer 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, 2005 and 2004 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 2005 and 2004, or its changes in financial position for the years then ended.

Also in our opinion, because of the unreconciled cash differences described in paragraph five, the Township's financial statements overstate its combined fund cash balances by \$308,387 as of December 31, 2005 and by \$159,288 as of December 31, 2004.

Also, the financial statements include the transfers and advance listed below. Because the Board of Trustees did not approve them, the financial statements overstate the transfers and advance listed below:

- In 2005, a \$6,225 transfer from the Fire Station Bond Fund (a Capital Projects Fund) to the General Fund. The obligations of the Fire Station Bond Fund will cease in 2011. A \$169,337 transfer and another \$121,011 transfer from the General Fund to the Fire Station Bond Fund (a Capital Projects Fund). There was no Board approval.
- In 2005, a \$121,011 transfer from the Fire Levy 2 Fund to the Fire Station Bond Fund (a Capital Projects Fund).
- A \$85,049 advance was made from the General Fund to the FEMA Grant Fund (a Special Revenue Fund).

Since the Township did not provide the evidence described in paragraphs two through six above, the scope of our auditing procedures was not sufficient to enable us to express, and we do not express an opinion on the Township's combined receipts and disbursements for the years ended December 31, 2005 and 2004.

Generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2005 and December 31, 2004. 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 August 7, 2008 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

August 7, 2008

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**CARLISLE TOWNSHIP
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
Cash Receipts:						
Property and Other Local Taxes	\$411,608	\$506,023	\$0	\$0	\$0	\$917,631
Charges for Services	0	0	0	0	0	0
Licenses, Permits, and Fees	194,732	1,410	0	0	0	196,142
Fines and Forfeitures	0	0	0	0	0	0
Intergovernmental	647,276	316,852	0	0	0	964,128
Special Assessments	0	4,344	0	0	0	4,344
Earnings on Investments	43,883	7,121	0	0	0	51,004
Miscellaneous	100,822	17,231	0	0	0	118,053
Total Cash Receipts	1,398,321	852,980	0	0	0	2,251,302
Cash Disbursements:						
Current:						
General Government	483,679	9,550	0	0	0	493,229
Public Safety	333,225	156,770	0	0	0	489,994
Public Works	60,930	164,599	0	0	0	225,530
Health	22,126	5,290	0	0	0	27,415
Human Services	0	0	0	0	0	0
Conservation - Recreation	1,436	0	0	0	0	1,436
Other	0	0	0	0	0	0
Capital Outlay	3,000	321,067	0	42,100	0	366,167
Debt Service:						
Redemption of Principal	22,643	0	0	248,660	0	271,303
Interest and Other Fiscal Charges	0	0	0	0	0	0
Total Cash Disbursements	927,038	657,276	0	290,760	0	1,875,074
Total Receipts Over/(Under) Disbursements	471,284	195,705	0	(290,760)	0	376,228
Other Financing Receipts / (Disbursements):						
Sale of Bonds	0	0	0	0	0	0
Sale of Notes	0	0	0	0	0	0
Other Debt Proceeds	0	0	0	0	0	0
Sale of Fixed Assets	0	0	0	0	0	0
Transfers-In	6,225	0	0	411,360	0	417,585
Transfers-Out	(290,348)	(121,011)	0	(6,225)	0	(417,584)
Advances-In	0	85,049	0	0	0	85,049
Advances-Out	(85,049)	0	0	0	0	(85,049)
Other Financing Sources	0	0	0	0	0	0
Other Financing Uses	0	0	0	0	0	0
Total Other Financing Receipts / (Disbursements)	(369,172)	(35,962)	0	405,134	0	0
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	102,112	159,743	0	114,374	0	376,229
Fund Cash Balances, January 1	2,088,273	352,593		(112,374)		2,328,491
Fund Cash Balances, December 31	\$2,190,385	\$512,336	\$0	\$2,000	\$0	\$2,704,720
Reserve for Encumbrances, December 31	\$77,038	\$32,661	\$0	\$0	\$0	\$109,700

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

**CARLISLE TOWNSHIP
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Internal Service	Private Purpose Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$0	\$0	\$0	\$0
Licenses, Permits and Fees	0	0	745	745
Total Operating Cash Receipts	0	0	745	745
Operating Cash Disbursements:				
Salaries	0	0	0	0
Employee Fringe Benefits	0	0	0	0
Purchased Services	0	0	0	0
Supplies and Materials	0	0	0	0
Claims	0	0	0	0
Other	0	0	0	0
Total Operating Cash Disbursements	0	0	0	0
Operating Income/(Loss)	0	0	745	745
Non-Operating Cash Receipts:				
Property Tax and Other Local Taxes	0	0	0	0
Intergovernmental	0	0	0	0
Miscellaneous Receipts	0	0	0	0
Sale of Bonds	0	0	0	0
Sale of Notes	0	0	0	0
Other Debt Proceeds	0	0	0	0
Earnings on Investments	0	0	0	0
Sale of Fixed Assets	0	0	0	0
Other Non-Operating Cash Receipts	0	0	0	0
Total Non-Operating Cash Receipts	0	0	0	0
Non-Operating Cash Disbursements:				
Capital Outlay	0	0	0	0
Redemption of Principal	0	0	0	0
Interest and Other Fiscal Charges	0	0	0	0
Other Non-Operating Cash Disbursements	0	0	0	0
Total Non-Operating Cash Disbursements	0	0	0	0
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	0	0	745	745
Transfers-In	0	0	0	0
Transfers-Out	0	0	0	0
Advances-In	0	0	0	0
Advances-Out	0	0	0	0
Net Receipts Over/(Under) Disbursements	0	0	745	745
Fund Cash Balances, January 1	0	0	12,350	12,350
Fund Cash Balances, December 31	\$0	\$0	\$13,094	\$13,094
Reserve for Encumbrances, December 31	\$0	\$0	\$0	\$0

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

**CARLISLE TOWNSHIP
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
Cash Receipts:						
Property and Other Local Taxes	\$599,865	\$287,711	\$0	\$0	\$0	\$887,576
Charges for Services	0	0	0	0	0	0
Licenses, Permits, and Fees	127,852	495	0	0	0	128,347
Fines and Forfeitures	0	0	0	0	0	0
Intergovernmental	386,833	141,730	0	2,000	0	530,563
Special Assessments	0	0	0	0	0	0
Earnings on Investments	31,957	1,298	0	412	0	33,667
Miscellaneous	10,805	9,486	0	0	0	20,291
Total Cash Receipts	1,157,312	440,720	0	2,412	0	1,600,444
Cash Disbursements:						
Current:						
General Government	507,870	0	0	0	0	507,870
Public Safety	337,176	36,076	0	0	0	373,252
Public Works	102,385	216,131	0	0	0	318,515
Health	29,199	7,011	0	0	0	36,210
Human Services	0	0	0	0	0	0
Conservation - Recreation	4,510	0	0	0	0	4,510
Other	0	0	0	0	0	0
Capital Outlay	3,675	16,764	0	97,703	0	118,142
Debt Service:						
Redemption of Principal	0	0	0	0	0	0
Interest and Other Fiscal Charges	0	0	0	0	0	0
Total Cash Disbursements	984,815	275,982	0	97,703	0	1,358,500
Total Receipts Over/(Under) Disbursements	172,497	164,738	0	(95,291)	0	241,944
Other Financing Receipts / (Disbursements):						
Sale of Bonds	0	0	0	0	0	0
Sale of Notes	0	0	248,660	0	0	248,660
Other Debt Proceeds	0	0	0	0	0	0
Sale of Fixed Assets	0	0	0	0	0	0
Transfers-In	0	0	0	0	0	0
Transfers-Out	0	0	0	0	0	0
Advances-In	0	0	0	0	0	0
Advances-Out	0	0	0	0	0	0
Other Financing Sources	0	0	0	0	0	0
Other Financing Uses	0	0	0	0	0	0
Total Other Financing Receipts / (Disbursements)	0	0	248,660	0	0	248,660
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	172,497	164,738	248,660	(95,291)	0	490,604
Fund Cash Balances, January 1	1,800,990	157,855	(248,660)	97,703	0	1,807,887
Fund Cash Balances, December 31	\$1,973,486	\$322,593	\$0	\$2,412	\$0	\$2,298,491
Reserve for Encumbrances, December 31	\$0	\$0	\$0	\$0	\$0	\$0

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

**CARLISLE TOWNSHIP
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Internal Service	Private Purpose Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$0	\$0	\$0	\$0
Licenses, Permits and Fees	0	0	2,523	2,523
Total Operating Cash Receipts	0	0	2,523	2,523
Operating Cash Disbursements:				
Salaries	0	0	0	0
Employee Fringe Benefits	0	0	0	0
Purchased Services	0	0	0	0
Supplies and Materials	0	0	0	0
Claims	0	0	0	0
Other	0	0	0	0
Total Operating Cash Disbursements	0	0	0	0
Operating Income/(Loss)	0	0	2,523	2,523
Non-Operating Cash Receipts:				
Property Tax and Other Local Taxes	0	0	0	0
Intergovernmental	0	0	0	0
Miscellaneous Receipts	0	0	0	0
Sale of Bonds	0	0	0	0
Sale of Notes	0	0	0	0
Other Debt Proceeds	0	0	0	0
Earnings on Investments	0	0	0	0
Sale of Fixed Assets	0	0	0	0
Other Non-Operating Cash Receipts	0	0	0	0
Total Non-Operating Cash Receipts	0	0	0	0
Non-Operating Cash Disbursements:				
Capital Outlay	0	0	0	0
Redemption of Principal	0	0	0	0
Interest and Other Fiscal Charges	0	0	0	0
Other Non-Operating Cash Disbursements	0	0	0	0
Total Non-Operating Cash Disbursements	0	0	0	0
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	0	0	2,523	2,523
Transfers-In	0	0	0	0
Transfers-Out	0	0	0	0
Advances-In	0	0	0	0
Advances-Out	0	0	0	0
Net Receipts Over/(Under) Disbursements	0	0	2,523	2,523
Fund Cash Balances, January 1	0	0	9,827	9,827
Fund Cash Balances, December 31	\$0	\$0	\$12,350	\$12,350
Reserve for Encumbrances, December 31	\$0	\$0	\$0	\$0

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



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*

Carlisle Township
Lorain County
11969 LaGrange Road
LaGrange, Ohio 44050

We were engaged to audit the basic financial statements of Carlisle Township, Lorain County, Ohio (the Township) as of and for the years ended December 31, 2005 and December 31, 2004 and have issued our report thereon dated August 7, 2008. We rendered an adverse opinion on the Township's statements due to the financial statement presentation format and because of the omission of all disclosures accounting principles generally accepted in the United States requires. We also rendered an adverse opinion on the Township's fund cash balances on its regulatory-basis statements. We also disclaimed an opinion on the Township's regulatory basis receipts and disbursements because of the Township's inability to provide accurate and complete financial reports and evidential matter to properly support any of its transactions. We also noted the Library 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 Library. 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.

Internal Control Over Financial Reporting

In planning and performing our engagement, we considered the Township's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. The reportable conditions are described in the accompanying schedule of findings as item 2005-001 through 2005-005.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements which, we were engaged to audit, may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider the reportable conditions 2005-001 through 2005-005, listed above, to be material weaknesses.

Internal Control Over Financial Reporting (Continued)

In a separate letter to the Township's management dated August 7, 2008, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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 engagement to 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 2005-001 through 2005-003 and 2005-006 through 2005-011.

We also noted certain noncompliance or other matters that we reported to the Township's management in a separate letter dated August 7, 2008.

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 and the Board of Trustees. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

August 7, 2008

**CARLISLE TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31 2005 AND DECEMBER 31, 2004**

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

FINDING NUMBER 2005-001

Accounting System – Receipt Cycle – Material Weakness and Noncompliance Finding

An entity's accounting system encompasses the sequence of steps followed in the accounting process, from analyzing and recording transactions, posting entries, adjusting and closing accounts, and preparing financial statements. During the testing of the Township's receipting process or recording of transactions the following accounting weakness was noted:

- The Township did not maintain a complete and accurate cash receipts journal.

In addition to the Township's failure to maintain a cash receipts journal several receipt mispostings to the Township's records and draft financial statements were noted. Mispostings or the Township's failure to report revenues included:

- Real Property Taxes, Personal Property Taxes, Homestead Roll/Back reimbursements, Exempt Personal Property Taxes, Manufactured Home Taxes, Permissive Motor Vehicle Taxes, Public Utility reimbursements and Liquor Permit revenues were improperly posted to the wrong fund and or wrong line item.
- Motor Vehicle License intergovernmental revenue and other intergovernmental revenues were improperly posted as taxes. Special Assessment Taxes were posted as taxes and intergovernmental revenue in the General Fund instead of the required funds.
- Fire Training Grant (\$2,170), EMS Grant (\$2,500), and a Thomason Mitigation (FEMA) Grant (\$188,000) were improperly posted to the General Fund and other funds rather than the Fire Fund. Fire Training Grants were improperly posted to the Fire Fund as Other Revenue rather than intergovernmental.
- The 2004 Close the Loop Grant (\$10,000) was improperly posted to the General Fund and the 2005 Close the Loop Grant (\$9,327) was improperly posted to the wrong special fund.
- The Township failed to report 2004 Ohio Public Works Commission revenue (\$81,615).

The Township's failure to maintain, record and reconcile receipts with a cash receipts journal and bank statements in a complete and accurate manner resulted in a significant loss of control over this accounting transaction cycle.

As a result, the annual financial statements filed with the Auditor of State under Ohio Rev. Code Section 117.38 for 2005 and 2004, were incomplete and inaccurate.

We recommend the Township re-evaluate its methods for the processing of receipts, develop and approve a receipt policy that guides those responsible for this accounting transaction cycle and provide the necessary training to meet its accounting needs. The Township should post receipts to the proper funds and line items within each fund. The receipt postings should be accurate and complete and in accordance with the revenue's purpose. A Township employee or trustee independent of the receipt posting procedure should review the cash receipts journal for accuracy.

We recommend that when the Township has any uncertainty when classifying receipts, to contact an appropriate source for guidance. That source may include the Auditor of State; however, the Township must recognize the Independence Standards that keep the Auditor of State from posting transactions on the Township's behalf. Routine advice does not compromise this principle. The Township must practice due diligence in preparing its annual financial report.

**CARLISLE TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31 2005 AND DECEMBER 31, 2004
(CONTINUED)**

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

FINDING NUMBER 2005-001 (Continued)

Accounting System – Receipt Cycle – Material Weakness and Noncompliance Finding (Continued)

Officials' Response:

The Trustees are in agreement regarding the lack of controls in the area of recording receipts and disbursements. The Trustees are working with an outside CPA firm and will be going over these problems with the new fiscal officer.

The Fiscal Officer will seek guidance from the Auditor of State, (UAN) when there is any uncertainty in classifying the townships funds, cash receipts functions and the expenditures. Redistribution of the component will be considered.

FINDING NUMBER 2005-002

Accounting System – Expenditure Cycle – Material Weakness and Noncompliance Finding

In addition to the receipt cycle mentioned in Finding 2005-001, another major transaction cycle of the Township is the expenditure cycle. During the testing of the Township's expenditure process the following accounting weaknesses were noted:

- The Township's check register (payment register) was not in sequential order.
- Checks as written did not agree with what was recorded in the check register for 16 out of 39 checks tested in 2005 and three out of 37 checks tested in 2004. Checks were not recorded in numerical sequence. There is no logical pattern for the check numbers used, the dates they are recorded, account numbers used, and how they correspond to the disbursements journal.
- The Township failed to properly encumber expenditures. In 2005, nine out of thirty-nine expenditures tested were not properly encumbered. Similarly, in 2004, 14 out of 37 expenditures tested were not properly encumbered.
- The Township failed to record \$81,615 of Ohio Pubic Works Commission expenditure activity for 2004.
- The Township failed to post the 2004 Debt Service Redemption of principal and interest to its annual financial report.
- In 2005, the Township posted to the Capital Projects Fund a Debt Service redemption of principal. Rather, the Debt Service redemption of principal payment should have been posted to the Debt Service Fund. The Township also failed to post to the Debt Service Fund the 2005 interest and fiscal charges.

The Township's failure to maintain, record and reconcile expenditure payments with the check register and bank statements in a complete and accurate manner resulted in significant inaccuracies as reported above.

As a result, the annual financial statements filed with the Auditor of State under Ohio Rev. Code Section 117.38 for 2005 and 2004, were incomplete and inaccurate.

**CARLISLE TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31 2005 AND DECEMBER 31, 2004
(CONTINUED)**

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

FINDING NUMBER 2005-002 (Continued)

Accounting System – Expenditure Cycle – Material Weakness and Noncompliance Finding (Continued)

We recommend the Township re-evaluate its methods for the processing of expenditures, develop and approve an expenditure policy that guides those responsible for this accounting transaction cycle and provide the necessary training to meet its accounting needs. Also, a Township Trustee should sign off monthly on all material expenditure transactions.

We recommend that when the Township has any uncertainty when classifying disbursements, to contact an appropriate source for guidance. That source may include the Auditor of State; however, the Township must recognize the Independence Standards that keep the Auditor of State from posting transactions on the Township's behalf. Routine advice does not compromise this principle. The Township must practice due diligence in preparing its annual financial report.

Officials' Response:

The Trustees agree with the finding and have been working with the outside consultants and will be working with the new fiscal officer to develop a system with regard to expenditures, receipts, and the overall accounting function to properly record transactions.

The Fiscal Officer will seek guidance from the Auditor of State, (UAN) when there is any uncertainty in classifying the townships funds, cash receipts functions and the expenditures. Redistribution of the components will be considered.

FINDING NUMBER 2005-003

Bank Reconciliations – Material Weakness and Noncompliance Finding

A necessary step in the internal controls over the Township's treasury cycle and overall financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. The Township did not prepare accurate or complete monthly bank reconciliations to balance total deposits and investments per the bank statements to total fund balances on the accounting system. At the end of 2005, the unreconciled difference was \$308,387 plus \$248,660 in possible unrecorded debt service payments. At the end of 2004, the unreconciled difference was \$159,288 plus \$248,660 in possible unrecorded debt service payments.

Consequently, the failure to prepare complete and accurate bank reconciliations, along with the weaknesses reported in receipt and expenditure processing, heavily contributed towards the Township preparing erroneous annual financial reports submitted to the Auditor of State's office and financial statements that misstated the Township's financial activity for the two year period. Some of the weaknesses included: cash amounts did not reconcile from the financials/bank reconciliations to bank statements; recorded deposits-in-transit were inaccurate; a complete and accurate listing of outstanding checks did not exist; and all bank accounts were not listed on the year-end summary of the annual financial report. Failure to maintain complete and accurate bank reconciliations along with accurately maintained Township accounting records 1) reduces the accountability over Township funds, 2) reduces the Trustee's ability to monitor financial activity, 3) increases the likelihood that monies will be misappropriated and not detected, and 4) increases the likelihood the Township's financial statements will be misstated.

**CARLISLE TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31 2005 AND DECEMBER 31, 2004
(CONTINUED)**

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

FINDING NUMBER 2005-003 (Continued)

Bank Reconciliations – Material Weakness and Noncompliance Finding (Continued)

As a result, the annual financial statements filed with the Auditor of State under Ohio Rev. Code Section 117.38 for 2005 and 2004, were incomplete and inaccurate.

We recommend the Township exercise due professional care when performing month-end bank reconciliations. We recommend the Township's bank accounts be reconciled, on a monthly basis, by a responsible employee and reviewed for completeness and accuracy by a Township official independent of the reconciliation process. The individual performing the bank reconciliation should provide evidence that it was performed and reflect all applicable records needed in order to complete the reconciliation. Township officials should monitor the reconciliation process, on a timely basis, to ensure that monthly bank reconciliations are being performed. The Township's Fiscal Officer (Clerk) should post receipt and expenditure activity to the Township's accounting system at the time the monies are received and expenditures are made. Any discrepancies in the reconciliation process should be reviewed immediately.

Officials' Response:

The Trustees agree with the finding regarding the lack of bank reconciliations at month end. The Trustees are working with an outside CPA firm and will be working with the new fiscal officer to ensure that all accounts are reconciled on a monthly basis.

The Fiscal Officer will seek guidance from the Auditor of State, (UAN) when there is any uncertainty in classifying the townships funds, cash receipts functions and the expenditures. Redistribution of the components will be considered.

FINDING NUMBER 2005-004

Minute Records – Material Weakness

The Minutes for the Board of Trustee meetings should be signed at consistent intervals. The Minutes of a Regular or Special Meeting of any such public body shall be promptly recorded and open to public inspection. A Resolution is a formal decision or regulation of the Board of Township Trustees. The action or decision which he/she proposes is the "resolution", which if it is accepted by a majority vote, becomes the decision or regulation of the Board. All Resolutions passed by the Board should be entered into the official proceedings of the Township.

After a detailed review of the Minute Records, it was determined there were weaknesses in the Township's Minute Records. There were some Regular and Special Meetings, which were not properly signed by the Fiscal Officer (Clerk) and/or the Board Chairman. Also, there were various meetings held for Work Sessions, which were not properly recorded by the Township. A number of Resolutions that were approved by the Board of Trustees were not made a part of the Minute Records or were never made a part of other official Township records. The Resolutions that were not included as part of other Township records included, approval of different 2005 Special Assessments and the Acceptance of the Tax Rates & Certifying them to the County.

The failure of the Township to maintain minute records with relevant information has contributed to the lack of existence, completeness, and accuracy of the financial statements.

**CARLISLE TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31 2005 AND DECEMBER 31, 2004
(CONTINUED)**

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

FINDING NUMBER 2005-004 (Continued)

Minute Records – Material Weakness (Continued)

We recommend the Trustees retro-actively approve all Resolutions not included in the official Minute Record. We further advise the Township ensure the Official Records are complete and accurate prior to approval. An individual, other than the person who typed up the Minutes should compare notes for the Official Proceedings to the Minute Records. A "reconciliation or comparison" of approved Resolutions to the Minute Records will ensure that all official actions coming before the Board are documented by the Township, as a part of the public records. All Minute Records, once approved by the Trustees, should be documented by the signatures of at least the Board Chairperson and the Fiscal Officer (Clerk), and dated as to when the Minute Records were attested to for accuracy.

Officials' Response:

The Trustees agree with the finding regarding the official record of minutes, and have already started the process to retroactively approve the resolutions to satisfy the requirement that our records reflect complete and accurate prior approval.

The Fiscal Officer did not sign the minutes due to her absence from the meeting. The Township's officials had placed an individual to compare notes for the Official Proceedings of the Minute Records. This was an employee weakness. The Fiscal Officer has implemented procedures to comply with this requirement.

FINDING NUMBER 2005-005

Reconciliation of Township Payroll Documents – Material Weakness

A necessary step in the internal controls over the Township and overall financial reporting at year-end is to balance the payroll records (i.e., Payroll Reports, Time Sheets, Payroll Checks, etc.) to the Tax Records (i.e., W-3 Report, individual W-2's, Federal 941 Reports).

We reviewed fiscal years 2005 and 2004 payroll records. The Uniform Accounting Network (UAN) Payroll Reports did not tie to the W-3 Reports, submitted to the IRS. The UAN Reports also did not reconcile to the total of the Quarterly 941 Reports. Further, differences were noted when trying to agree the W-3 annual report to the Quarterly 941 Reports. Finally, fiscal year 2004 W-2 statements did not accumulate to the total on the W-3 Report and the entire fire department payroll records were not available.

Without complete and accurate payroll preparation and reconciliation, the Township's internal control structure is weakened, which could hinder the timely detection of errors or irregularities by employees and/or management. Also, these weaknesses increase the risk of employees and the Township filing incorrect tax statements.

We recommend the Township prepare and complete accurate payroll records. Payroll reconciliations should be completed, in a timely manner, after month or fiscal year end. The Township should exercise due professional care when performing and preparing these important payroll documents. Township Official's should review and acknowledge the adequacy of the reconciliations. All reconciliation differences should be accounted for.

**CARLISLE TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31 2005 AND DECEMBER 31, 2004
(CONTINUED)**

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

FINDING NUMBER 2005-005 (Continued)

Reconciliation of Township Payroll Documents – Material Weakness (Continued)

Officials Response:

We are in agreement regarding the lack of controls in the area of recording payroll records as well as the timely reconciliation of all payroll reports to the general ledger. We have switched to an outside payroll service effective April 1, 2007 to increase the internal controls and accountability. The new fiscal officer is reconciling each payroll to the time cards, as well as reviewing the payroll reports and reconciling them to the general ledger posting in the UAN systems as each payroll is completed.

FINDING NUMBER 2005-006

Building Permit Revenue and Disbursement Activities – Noncompliance Finding

Ohio Rev. Code Section 3781.102 (E) and (F)(1) as well as Auditor of State Management Advisory Services Bulletin 93-11 requires all subdivisions that prescribe fees for the acceptance and approval of plans and specifications, and for the making of all inspections pursuant to this section, collect and remit monthly, on behalf of the Board of Building Standards, an assessment equal to three percent of fees collected in connection with nonresidential buildings. Subsection (G)(1) requires that those local governments having to assess the three percent Board of Building Standards fee should account for the money in the industrial compliance operating fund created in Ohio Rev. Code Section 121.084.

The Township was properly collecting and remitting monthly to the Board of Building Standards an assessment equal to three percent of such fees; however, it was accounting for this activity in the general fund. Further, it was also accounting in an agency fund for various licenses, permits and fees revenue and disbursement activities, which are considered to be general operating activities of the Township. Thus, on the financial statements as completed by the Township fiscal officer, the agency fund is overstated by \$745 in 2005 and \$2,522 in 2004.

The Township should account for collecting and remitting, to the Board of Building Standards, an assessment equal to three percent of such fees to the industrial compliance operating fund created in Ohio Rev. Code Section 121.084 and it should account for all other permit revenue and disbursement activities in the general fund.

Officials' Response:

The Trustees agree with the finding and are working with advisors and the new fiscal officer to ensure that the General Fund and Agency Funds reflect actual transactions.

The Fiscal Officer will seek guidance from the Auditor of State, (UAN) when there is any uncertainty in classifying the townships funds, cash receipts functions and the expenditures. Redistribution of the components will be considered.

CARLISLE TOWNSHIP
LORAIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31 2005 AND DECEMBER 31, 2004
(CONTINUED)

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

FINDING NUMBER 2005-007

Certification of Availability of Funds – Noncompliance Finding

Ohio Rev. Code Section 5705.41 (D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of an amount due thereon.

There are several exceptions to the standard requirement stated 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 that both at the time that the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has 30 days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts 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 does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain 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 Township 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 is not extended beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Twenty-three of seventy-six (30 percent) non-payroll purchase order transactions tested were not certified by the fiscal officer (clerk) at the time the commitment was incurred and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash balances. Further, there were purchase orders executed without the signatures of the Fiscal Officer and/or the Trustees.

**CARLISLE TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31 2005 AND DECEMBER 31, 2004
(CONTINUED)**

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

FINDING NUMBER 2005-007 (Continued)

Certification of Availability of Funds – Noncompliance Finding (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 that 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 (Clerk) certify that 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 Township certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41 (D) requires to authorize disbursements. The fiscal officer (clerk) should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41 (D) are satisfied. The fiscal officer (clerk) should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials' Response:

The Trustees agree with the finding and will be working with the outside advisors and the new fiscal officer to properly certify expenditures following the language of Ohio Rev. Code Section 5705.41(D)(1).

The Fiscal Officer states this has been a problem with the township in the past. The supervisors have always been allowed to make contracts or order the expenditure of money without the Fiscal Officer certifying the amount required. The former Fiscal Officer addressed the Trustee's to assure that the required control process involving purchase commitments receive prior approval from the Fiscal Officer.

FINDING NUMBER 2005-008

Establishment of Special Funds – Noncompliance Finding

Ohio Rev. Code Section 5705.09 (F) states, in part, that each subdivision is required to establish a special fund for each class of revenues derived from a source other than the general property tax which the law requires to be used for a particular purpose. Upon establishing a fund, estimated receipts should be certified to the County Auditor as available for expenditure and anticipated expenditures should be included in the Township appropriations. The Clerk shall record the appropriations in accordance with the terms and conditions of the grant or project agreement. In addition, prior to recording the appropriations, Ohio Revised Code Section 5705.40 requires the legislative authority to pass a resolution amending its appropriation measure.

The Township did not establish a separate fund for the Thomason Mitigation Fund (a federal FEMA grant, received in 2005). This fund's expenditures represented approximately 27% of total Special Revenue Fund expenditures for 2005. Also, the Township did not approve the 2004 FEMA Grant in the Board Minute Records. Grant proceeds from the 2004 FEMA Grant were received in 2005. Revenues and expenditures from the Thomason Mitigation Fund were commingled with nonfederal sources (i.e., General Fund). The Township's method of accounting for Special Funds heightens the risk for misappropriation with the terms of the grant agreements.

CARLISLE TOWNSHIP
LORAIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31 2005 AND DECEMBER 31, 2004
(CONTINUED)

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

FINDING NUMBER 2005-008 (Continued)

Establishment of Special Funds – Noncompliance Finding (Continued)

Further, compliance with matching and other grant requirements may not be verifiable if grant funds are not maintained in separate funds. Noncompliance with grant agreements subjects the Township to a finding for recovery or questioned costs and/or loss of future federal funding.

The Township should establish a separate fund for the revenues and expenditures of each federal grant it receives. Further, all federal funds should be approved by the Board. The Township should follow Auditor of State Bulletins 1998-013, 1999-005, and 2000-008 regarding handling of federal funds.

Officials' Response:

The Trustees agree with the Auditor's findings and will be working with the outside advisors and the new fiscal officer to ensure the transactions are properly reflected under the proper funds for which any federal grant is received when reflecting revenues and expenditures.

The Fiscal Officer will seek guidance from the Auditor of State, (UAN) when there is any uncertainty in classifying the townships funds, cash receipts functions and the expenditures. Redistribution of the components will be considered.

FINDING NUMBER 2005-009

Transfers and Advances – Noncompliance Finding

Ohio Rev. Code Sections 5705.14, 5705.15, and 5705.16 provide guidelines pertaining to allowable inter-fund transfers. In certain circumstances, which are detailed in Ohio Rev. Code Section 5705.14, transfers from funds other than the General Fund may be made by resolution of the taxing authority, passed with a two-thirds affirmative vote. In addition to transfers from the General Fund and those permitted by Ohio Rev. Code Section 5705.14, the taxing authority of any political subdivision, with the approval of the Tax Commissioner and of the Court of Common Pleas, may transfer from one fund to any other public funds under its supervision, with certain exceptions, which are detailed in Ohio Rev. Code Section 5705.15.

Ohio Rev. Code Section 5705.14 indicates that before an inter-fund transfer can be made from the General Fund, a resolution of the taxing authority of the political subdivision shall be passed by a majority of the governing board. See also 1989 Op. Att'y Gen. No. 89-075 (Ohio Rev. Code Section 5705.14(E) has been interpreted to require a resolution passed by a simple majority when transferring funds from the general revenue fund to specific funds).

Auditor of State Bulletin 97-003 sets forth the requirements for inter-fund advances and provides additional guidance for recording such transactions. In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established.

**CARLISLE TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31 2005 AND DECEMBER 31, 2004
(CONTINUED)**

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

FINDING NUMBER 2005-009 (Continued)

Transfers and Advances – Noncompliance Finding (Continued)

During fiscal year 2005, the Township made the following inter-fund movements of money:

- A \$6,225 transfer from the Fire Station Bond Fund (a Capital Projects Fund) to the General Fund. The obligations of the Fire Station Bond Fund will cease in 2011. There was no Board approval.
- A \$169,337 transfer and another \$121,011 transfer from the General Fund to the Fire Station Bond Fund. There was no Board approval.
- A \$121,011 transfer from the Fire Levy 2 Fund to the Fire Station Bond Fund. There was no Board Approval.
- A \$85,049 advance was made from the General Fund to the FEMA Grant Fund. There was no Board approval

The Township Board of Trustees should retro-actively approve the General Fund Transfers and the General Fund Advance. The Township should reconsider its current method of accounting for inter-fund activity and consider the language described in Auditor of State Bulletin 97-003 to assist in the accounting treatment for inter-fund cash activity.

Officials' Response:

The Trustees agree with the finding and have already begun the process of retroactively approving General Fund transfers between the various funds.

The Fiscal Officer will seek guidance from the Auditor of State, (UAN) when there is any uncertainty in classifying the townships funds, cash receipts functions and the expenditures. Redistribution of the components will be considered.

**CARLISLE TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31 2005 AND DECEMBER 31, 2004
(CONTINUED)**

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

FINDING NUMBER 2005-010

Payroll Overpayment – Fiscal Officer – Finding For Recovery

Ohio Rev. Code Section 507.09 (A)(7) and (D)(6) provide that the township fiscal officer, in townships having a budget of more than one million five hundred thousand but not more than three million five hundred thousand dollars, is entitled to compensation of seventeen thousand nine hundred and sixty-two dollars (\$17,962) for 2004.

For fiscal year 2004, the annual budget was certified by the County on September 30, 2003. The budget certified by the County was \$3,432,784.90. The limits are set forth in the following table:

	Pay for 2004 (2.3% Increase)	Pay received for 2004	Difference
\$1,500,000 - \$3,500,000	\$17,962	\$19,133	\$1,171

In 2004, the Township's Fiscal Officer, Barbara A. VanMeter, received \$19,132.66 in annual salary. However, based on the budget certified by the County, the Fiscal Officer should have only received \$17,962. Therefore, Ms. VanMeter was overpaid by \$1,170.66.

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 made is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Atty 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 secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. No. 80-074.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for money illegally expended is hereby issued against Barbara A. VanMeter, former Fiscal Officer, Kenneth C. Pretchel, former Trustee, Robert C. White and James L. Wright, Trustees and the Ohio Township Association Risk Management Authority, their bonding company, jointly and severally, in the amount of \$1,170.66 and in favor of the Township's General Fund.

Officials' Response:

We agree with your findings. We are working with the new fiscal officer to ensure a system is in place to confirm the annual salary for the fiscal officer is set within the proscribed parameters under Ohio Rev. Code Section 507.09(A)(7) and (D)(6). On August 22, 2008 the former fiscal officer repaid the Township \$1,170.66 by a cashiers check number 190667. The Township deposited \$1,170.66 into its Firstmerit bank account on August 26, 2008.

**CARLISLE TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31 2005 AND DECEMBER 31, 2004
(CONTINUED)**

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

FINDING NUMBER 2005-011

Payroll Overpayment – Trustees – Finding For Recovery

Ohio Rev. Code Section 507.24 (A)(7) and (B)(5) provide that the trustees may be paid \$51.32 for each day of service in the business of the township for not more than 200 days per year in 2004, when the township has a budget between \$1,500,000 and \$3,500,000, and if the trustee was elected after December 8, 2000. This amounts to an annual salary of \$10,264.00.

For fiscal year 2004, the annual budget was certified by the County on September 30, 2003. The budget certified by the County was \$3,432,784.90. The limits are set forth in the following table:

	Pay for 2004 (2.3% Increase)	Pay received for 2004	Difference
\$1,500,000 - \$3,500,000	\$10,264	\$11,196	\$932

In 2004, the Township's Trustees, Kenneth C. Prechtel, Robert C. White and James L. Wright received \$11,196 each in annual salary. This annual salary was based on the rate of \$55.98 for 200 days of service. However, based on the budget certified by the County, the Trustees should have only received \$10,264 each, based on a rate of \$51.32 for 200 days of service. Therefore, each trustee was overpaid by \$932.

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 made is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Atty 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 secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. No. 80-074.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for money illegally expended is hereby issued against Kenneth C. Prechtel, former Trustee, Robert C. White, Trustee, James L. Wright, Trustee, Barbara VanMeter, former Fiscal Officer and the Ohio Township Association Risk Management Authority, their bonding company, jointly and severally, in the amount of \$932 each, and in favor of the Township's General Fund.

Barbara VanMeter, former Fiscal Officer, shall be secondarily liable for the illegal expenditure to the extent that recovery or restitution is not obtained from Trustees Kenneth C. Prechtel, Robert C. White and James L. Wright.

Officials' Response:

We agree with your findings. We are working with the new fiscal officer to ensure a system is in place to confirm annual trustee salaries are set within the proposed parameters under Ohio Rev. Code Section 507.24(A)(7) and (B)(5). On August 11, 2008 Robert C. White, Trustee, repaid the Township \$932 by a personal check number 8579. The Township deposited \$932 into its Firstmerit bank account on August 12, 2008. Trustee, James Wright, intends to repay his finding to the Township by September 26, 2008.



Mary Taylor, CPA
Auditor of State

CARLISLE TOWNSHIP

LORAIN 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
SEPTEMBER 23, 2008**