



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 and related notes of Carroll Township, Ottawa County, Ohio (the Township) as of and for the years ended December 31, 2013 and 2012.

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 opinion.

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, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, 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, 2013 and 2012, 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 December 11, 2014, 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.



Dave Yost
Auditor of State

Columbus, Ohio

December 11, 2014

**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, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$584,877	\$194,959		\$779,836
Licenses, Permits and Fees	9,355	350		9,705
Fines and Forfeitures	3,009			3,009
Intergovernmental	645,075	234,416		879,491
Special Assessments		60,367		60,367
Earnings on Investments	832	368	\$191	1,391
Loan Repayment	16,767			16,767
Miscellaneous	15,343	2,563		17,906
<i>Total Cash Receipts</i>	<u>1,275,258</u>	<u>493,023</u>	<u>191</u>	<u>1,768,472</u>
Cash Disbursements				
Current:				
General Government	696,042	71,415		767,457
Public Safety	403,345			403,345
Public Works	281,592	341,148		622,740
Health	1,067			1,067
Capital Outlay	97,708	6,337	29,810	133,855
Debt Service:				
Principal Retirement		42,007		42,007
Interest and Fiscal Charges		786		786
<i>Total Cash Disbursements</i>	<u>1,479,754</u>	<u>461,693</u>	<u>29,810</u>	<u>1,971,257</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(204,496)</u>	<u>31,330</u>	<u>(29,619)</u>	<u>(202,785)</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets		10,288		10,288
Other Financing Sources	2,691			2,691
<i>Total Other Financing Receipts (Disbursements)</i>	<u>2,691</u>	<u>10,288</u>		<u>12,979</u>
<i>Net Change in Fund Cash Balances</i>	<u>(201,805)</u>	<u>41,618</u>	<u>(29,619)</u>	<u>(189,806)</u>
<i>Fund Cash Balances, January 1</i>	<u>1,646,422</u>	<u>1,566,094</u>	<u>578,027</u>	<u>3,790,543</u>
Fund Cash Balances, December 31				
Restricted		1,204,582		1,204,582
Committed		403,130		403,130
Assigned			548,408	548,408
Unassigned	1,444,617			1,444,617
<i>Fund Cash Balances, December 31</i>	<u>\$1,444,617</u>	<u>\$1,607,712</u>	<u>\$548,408</u>	<u>\$3,600,737</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, 2012**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$606,842	\$202,281		\$809,123
Charges for Services	5,800			5,800
Licenses, Permits and Fees	12,017	1,400		13,417
Fines and Forfeitures	2,297			2,297
Intergovernmental	699,039	276,865		975,904
Special Assessments		19,897		19,897
Earnings on Investments	1,668	621	\$344	2,633
Loan Repayment	158,611			158,611
Miscellaneous	31,365	449		31,814
<i>Total Cash Receipts</i>	<u>1,517,639</u>	<u>501,513</u>	<u>344</u>	<u>2,019,496</u>
Cash Disbursements				
Current:				
General Government	692,018	17,200		709,218
Public Safety	489,916			489,916
Public Works	68,142	433,064		501,206
Health	57,462			57,462
Conservation-Recreation	13,708			13,708
Capital Outlay	28,201	34,264	213,386	275,851
Debt Service:				
Principal Retirement		18,979		18,979
Interest and Fiscal Charges		1,021		1,021
<i>Total Cash Disbursements</i>	<u>1,349,447</u>	<u>504,528</u>	<u>213,386</u>	<u>2,067,361</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>168,192</u>	<u>(3,015)</u>	<u>(213,042)</u>	<u>(47,865)</u>
Other Financing Receipts (Disbursements)				
Other Debt Proceeds			181,429	181,429
Sale of Capital Assets		3,596		3,596
<i>Total Other Financing Receipts (Disbursements)</i>		<u>3,596</u>	<u>181,429</u>	<u>185,025</u>
<i>Net Change in Fund Cash Balances</i>	168,192	581	(31,613)	137,160
<i>Fund Cash Balances, January 1</i>	<u>1,478,230</u>	<u>1,565,513</u>	<u>609,640</u>	<u>3,653,383</u>
Fund Cash Balances, December 31				
Restricted		1,207,400		1,207,400
Committed		358,694		358,694
Assigned	20,188		578,027	598,215
Unassigned	1,626,234			1,626,234
<i>Fund Cash Balances, December 31</i>	<u>\$1,646,422</u>	<u>\$1,566,094</u>	<u>\$578,027</u>	<u>\$3,790,543</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, 2013 AND 2012**

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

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

C. Deposits and Investments

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

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.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are

**CARROLL TOWNSHIP
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

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.

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

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or 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 Funds:

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

Ohio Public Works Commission Fund – This fund accounts for the receipt and disbursement of Ohio Public Works Commission loan proceeds for the Toussaint Portage Road and Fick Road resurfacing project.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. 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. The Township did not encumber all commitments required by Ohio law.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

**CARROLL TOWNSHIP
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(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.

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.

**CARROLL TOWNSHIP
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

	2013	2012
Demand deposits	\$801,362	\$992,260
STAR Ohio	2,799,375	2,798,283
Total deposits and investments	\$3,600,737	\$3,790,543

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

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General		\$1,277,949	\$1,277,949
Special Revenue		503,311	503,311
Capital Projects		191	191
Total		\$1,781,451	\$1,781,451

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,704,888	\$1,479,754	\$225,134
Special Revenue	805,468	461,693	343,775
Capital Projects	300,000	29,810	270,190
Total	\$2,810,356	\$1,971,257	\$839,099

**CARROLL TOWNSHIP
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General		\$1,517,639	\$1,517,639
Special Revenue		505,109	505,109
Capital Projects		181,773	181,773
Total		\$2,204,521	\$2,204,521

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,442,000	\$1,369,635	\$72,365
Special Revenue	655,500	504,528	150,972
Capital Projects	706,429	213,386	493,043
Total	\$2,803,929	\$2,087,549	\$716,380

The Fiscal Officer did not certify the total amount available from all sources available for expenditures from each fund along with any unencumbered balances to the County Auditor for 2013 and 2012. As a result the County Budget Commission was unable to certify estimated resources.

Contrary to Ohio law appropriations exceeded estimated resources for all funds for both years of the audit period.

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, 2013 was as follows:

	Principal	Interest Rate
OPWC Loan #CE540	\$163,286	0%

**CARROLL TOWNSHIP
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

The Ohio Public Works Commission (OPWC) loan relates to the Toussaint Portage Road and Fick Road Resurfacing project. The Township will repay the loans through semiannual installments through the year 2022.

Amortization of the above debt is scheduled as follows:

Year ending December 31:	<u>OPWC Loan</u>
2014	\$18,143
2015	\$18,143
2016	\$18,143
2017	\$18,143
2018	\$18,143
2019-2023	<u>72,572</u>
Total	<u><u>\$163,286</u></u>

6. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. For 2013 and 2012 Police Officers of the Township covered under OPERS contributed 12.60 and 12.10%, respectively, of their gross salaries and the Township contributed an amount equaling 18.10%, for both years, of participants' gross salaries. The Township pays the entire employee portion for all full-time employees as a fringe benefit. The Township has paid all contributions required through December 31, 2013.

7. RISK MANAGEMENT

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. 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,

**CARROLL TOWNSHIP
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, 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 net position at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Assets	\$34,954,286	\$34,771,270
Liabilities	8,486,363	9,355,082
Net Position	\$26,467,923	\$25,416,188

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$26,000.

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

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2012</u>
\$46,710	\$47,436

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

**CARROLL TOWNSHIP
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

- A. The Township entered into a loan agreement with the Carroll Water and Sewer District in accordance with the Ohio Revised Code Sections 505.705 and 6119.04. The agreement has provided that the Township could loan funds to the District to be used for the construction of the water and sewer facilities. The Township does not assess interest on this loan.

As of December 31, 2013, the outstanding receivable owed to the Township totaled \$1,727,558.

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

As of December 31, 2013, the outstanding receivable owed to the Township totaled \$30,000.



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 Carroll Township, Ottawa County, Ohio (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated December 11, 2014 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.

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 opinion 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.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-001 and 2013-003 through 2013-005 described in the accompanying schedule of findings to be material weaknesses.

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 2013-001 and 2013-002.

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.

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

Dave Yost
Auditor of State

Columbus, Ohio

December 11, 2014

**CARROLL TOWNSHIP
OTTAWA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

FINDING NUMBER 2013-001

Noncompliance Citation / Material Weakness

Ohio Rev. Code § 5705.36(A)(1) provides on or about the first day of each fiscal year, the Fiscal Officer shall certify to the County Auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year.

In addition, **Ohio Rev. Code § 5705.39** provides in part that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission.

The Fiscal Officer did not submit the certifications required under Ohio Rev. Code § 5705.36(A)(1) to the Ottawa County Auditor for 2013 and 2012 resulting in the inability of the County Budget Commission to certify estimated resources. The failure to file the required certifications and obtain Amended Official Certificates of Estimated Resources summarizing available resources results in budgetary non-compliance, the inability to enter County Budget Commission approved estimated receipts to the Township’s accounting system, and a lack of accurate information being available for use in decision making and monitoring of financial activity. Additionally, as a result, all funds which had appropriations approved by the Board of Trustees were in violation of the requirements of Ohio Rev. Code § 5705.39.

Fund Type	Estimated Resources	Appropriations	Excess
Year Ending December 31, 2013:			
General Fund		\$1,704,888	(\$1,704,888)
Special Revenue		805,465	(805,465)
Capital Projects		300,000	(300,000)
Year Ending December 31, 2012:			
General Fund		1,442,000	(1,442,000)
Special Revenue		655,500	(655,500)
Capital Projects		525,000	(525,000)

The budgetary note to the financial statements was adjusted to reflect the changes in estimated resources.

The Fiscal Officer should certify fund balances and amounts available for expenditure to the Ottawa County Auditor on or about the first day of the fiscal year. Once an Amended Certificate of Estimated Resources is received, the Fiscal Officer should monitor appropriations as compared to estimated resources and submit amendments to the County Budget Commission or reduce appropriations if sufficient revenues are not available.

FINDING NUMBER 2013-002

Noncompliance Citation

Ohio Rev. Code § 5705.41(D)(1) provides that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required for the order or contract has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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

1. **"Then and Now" Certificate** - If the fiscal officer can certify both at the time the contract or order was made ("then"), and at the time she is completing the certification ("now"), 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 Board can authorize the drawing of a warrant for the payment of the amount due. The Board has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

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

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a 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 particular line item appropriation.
3. **Super Blanket Certificate** – The Board may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification may, but need not, be limited to a specific vendor. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Thirty-eight percent (38%) of transactions tested were not properly certified by the Fiscal Officer at the time the commitments were incurred, and there was no evidence the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

**FINDING NUMBER 2013-002
(Continued)**

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

FINDING NUMBER 2013-003

Material Weakness - Bank Reconciliations and Receipting

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:

- In 2012 the February through June reconciliations were completed at the beginning of July, and the September through November reconciliations were completed at the end of December;
- In 2013 the February through December reconciliations were completed at the end of January, 2014;
- Of the 24 monthly reconciliations during the audit period four were reviewed and approved by the Board of Trustees; and
- Deposits were not posted timely on the UAN system by the Fiscal Officer. We identified instances of money deposited into the bank in April, 2013, but not entered into the accounting system until January, 2014. We also identified eight checks totaling \$10,089 that were deposited into the bank on April 9, 2013, but were not entered into the accounting system until January 22, 2014.

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.

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.

FINDING NUMBER 2013-004

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. We identified the following issues relative to the recording of payroll disbursements:

- For the bi-weekly pay periods of February 29, 2012 through June 30, 2012 the Fiscal Officer recorded the disbursements on July 3 and 4, 2012.
- For the bi-weekly pay periods of September 12, 2012 through December 19, 2012, the Fiscal Officer recorded the disbursements on December 30, 2012.
- For the bi-weekly pay periods of February 20, 2013 through December 31, 2013, the Fiscal Officer recorded the disbursements on January 22 and 24, 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 accurate 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 2013-005

Material Weakness - Financial Reporting

We identified errors such as the following requiring adjustment to the financial statements for the year ending December 31, 2013:

- General Fund property and other local tax receipts in the amount of \$221,217 was reclassified from Intergovernmental receipts to Property and Other Local Taxes receipts.
- General Fund loan repayment receipts in the amount of \$16,767 was reclassified from Intergovernmental (\$5,000) and Other Financing Sources (\$11,767) to Loan Payment receipts.
- Fund balance for the General Fund in the amount of \$1,444,617 was reclassified from Nonspendable to Unassigned.
- Special Revenue fund type property and other local tax receipts in the amount of \$98,833 was reclassified from Intergovernmental receipts to Property and Other Local Taxes receipts.
- Dock Tax Fund Principal and Interest disbursements in the amount of \$23,864 and \$786, respectively, was reclassified from General Government disbursements.
- Road and Bridge Fund Principal disbursements in the amount of \$18,143 was reclassified from Public Works disbursements.
- Fund balance for the Road and Bridge fund in the amount of \$403,130 was reclassified from Restricted to Committed.
- Fund balance for the Permanent Improvement Fund in the amount of \$548,408 was reclassified from Nonspendable to Assigned.

**FINDING NUMBER 2013-005
(Continued)**

We identified the following errors requiring adjustment to the financial statements for the year ending December 31, 2012:

- General Fund intergovernmental receipts in the amount of \$284,251 was reclassified from Property and Other Local Tax receipts to Intergovernmental receipts.
- General Fund loan repayment receipts in the amount of \$158,611 was reclassified from Intergovernmental receipts (\$5,000) and Miscellaneous receipts (\$153,611) to Loan Payment receipts.
- Fund balance for the General Fund in the amount of \$1,646,422 was reclassified from Nonspendable to Assigned (\$20,188) and Unassigned (\$1,626,234).
- Special Revenue intergovernmental receipts in the amount of \$67,325 was reclassified from Property and Other Local Taxes receipts to Intergovernmental receipts.
- Dock Tax Fund Principal and Interest disbursements in the amount of \$18,979 and \$1,021, respectively, was reclassified from General Government disbursements.
- Fund balance for the Road and Bridge fund in the amount of \$358,694 was reclassified from Restricted to Committed.
- Fund balance for the Permanent Improvement Fund in the amount of \$578,027 was reclassified from Nonspendable to Assigned.
- The Township was the beneficiary of \$181,429 of Ohio Public Work Commission (OPWC) loan monies sent directly to the vendor by OPWC. The Fiscal Officer did not record memorandum receipt and expenditure activity for these on-behalf payments in the Capital Projects fund type.

Additionally, immaterial errors not requiring adjustment to the financial statements were noted in the classification of certain receipt transactions and classification of fund balances ranging from \$867 to \$2,812.

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.

To 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 statements and notes by the Fiscal Officer, to identify and correct errors and omissions. Also, the Fiscal Officer can refer to the Ohio Township Handbook at the following web site address for guidance on the recording of transactions: <https://ohioauditor.gov/publications/OhioTownshipHandbook2014.pdf>

Officials' Response:

We did not receive a response from Officials to the findings reported above.

**CARROLL TOWNSHIP
OTTAWA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Ohio Rev. Code § 5705.10(D) for improper revenue posting.	No	Partially corrected and reduced to a Management Letter comment.
2011-002	Ohio Rev. Code § 5705.41(D)(1) for improper certification of disbursements.	No	Not corrected and reissued as finding 2014-002 in this report.



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
JANUARY 08, 2015**