



Dave Yost • Auditor of State



**CARROLL TOWNSHIP  
OTTAWA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2017 .....	3
Notes to the Financial Statements - For the Year Ended December 31, 2017 .....	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2016 .....	11
Notes to the Financial Statements - For the Year Ended December 31, 2016 .....	12
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	19
Schedule of Findings.....	21
Prepared by Management:	
Summary Schedule of Prior Audit Findings .....	27

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Carroll Township, Ottawa County, Ohio (the Township) as of and for the years ended December 31, 2017 and 2016.

### ***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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than

accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2017 and 2016, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of Carroll Township, Ottawa County, Ohio as of December 31, 2017 and 2016, 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 November 7, 2018, 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

November 7, 2018

**CARROLL TOWNSHIP**  
OTTAWA COUNTY

*COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2017*

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$942,885	\$314,221		\$1,257,106
Licenses, Permits and Fees	10,273	1,700		11,973
Fines and Forfeitures	7,374			7,374
Intergovernmental	557,799	234,496		792,295
Special Assessments		8,509		8,509
Earnings on Investments	10,980	6,397	\$2,802	20,179
Miscellaneous	36,718	1,318		38,036
<i>Total Cash Receipts</i>	<u>1,566,029</u>	<u>566,641</u>	<u>2,802</u>	<u>2,135,472</u>
<b>Cash Disbursements</b>				
Current:				
General Government	384,791	4,000		388,791
Public Safety	782,354			782,354
Public Works	186,390	598,923		785,313
Health	83,432	4,458		87,890
Conservation-Recreation	218			218
Capital Outlay		82,108	163,473	245,581
Debt Service:				
Principal Retirement		9,071		9,071
<i>Total Cash Disbursements</i>	<u>1,437,185</u>	<u>698,560</u>	<u>163,473</u>	<u>2,299,218</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>128,844</u>	<u>(131,919)</u>	<u>(160,671)</u>	<u>(163,746)</u>
<b>Other Financing Receipts</b>				
Sale of Capital Assets			35,574	35,574
<i>Net Changes in Fund Cash Balances</i>	128,844	(131,919)	(125,097)	(128,172)
<i>Fund Cash Balances, January 1</i>	<u>987,859</u>	<u>1,605,237</u>	<u>530,507</u>	<u>3,123,603</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		1,027,278	67,503	1,094,781
Committed		446,040		446,040
Assigned	107,000		337,907	444,907
Unassigned	1,009,703			1,009,703
<i>Fund Cash Balances, December 31</i>	<u>\$1,116,703</u>	<u>\$1,473,318</u>	<u>\$405,410</u>	<u>\$2,995,431</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, 2017**

**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 police protection services, road and bridge maintenance, cemetery maintenance, parks and recreation services, fire protection and emergency medical services, and general government services.

***Public Entity Risk Pool***

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 8 to the financial statements provides additional information for this entity.

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

**B. Basis of Presentation**

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types which is organized on a fund type basis.

**C. Basis of Accounting**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(D) permit.

**D. Fund Accounting**

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.



**CARROLL TOWNSHIP  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**2. Special Revenue Funds**

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

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

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

**3. Capital Projects Funds**

These funds account for and report financial resources that are restricted 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 Fund:

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

**E. Budgetary Process**

The Ohio Revised Code requires each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2017 budgetary activity appears in Note 3.

**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:

**CARROLL TOWNSHIP  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**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.

**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.

**CARROLL TOWNSHIP  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**2. DEPOSITS**

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

	2017
Demand deposits	\$260,774
STAR Plus	2,734,657
Total deposits	\$2,995,431

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ended December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,426,440	\$1,566,029	\$139,589
Special Revenue	510,250	566,641	56,391
Capital Projects	1,000	38,376	37,376
Total	\$1,937,690	\$2,171,046	\$233,356

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,049,800	\$1,437,185	\$612,615
Special Revenue	1,223,000	698,560	524,440
Capital Projects	450,000	163,473	286,527
Total	\$3,722,800	\$2,299,218	\$1,423,582

**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.

**CARROLL TOWNSHIP  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**5. DEBT**

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
OPWC Loan #CE540	\$90,715	0%
OPWC Loan #CE46Q	14,139	0%
Total	\$104,854	

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

Amortization of the above debt is scheduled as follows:

Year ending December 31:	OPWC Loans
2018	\$20,318
2019	20,318
2020	20,318
2021	20,318
2022	20,318
2023-2024	3,264
Total	\$104,854

**6. DEFINED BENEFIT PENSION PLAN**

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

The Ohio Revised Code also prescribes contribution rates. For 2017, OPERS - Regular members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. For 2017 Police Officers of the Township covered under OPERS – Law Enforcement contributed 13% of their gross salaries and the Township contributed an amount equaling 18.10% of participants' gross salaries. The Township pays the entire employee portion for all full-time employees as a fringe benefit. The Township has paid all contributions required through December 31, 2017.

**7. POSTEMPLOYMENT BENEFITS**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

**CARROLL TOWNSHIP  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**8. RISK MANAGEMENT**

***Risk Pool Membership***

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, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2017, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2017.

	<b>2017</b>
Assets	\$40,010,732
Liabilities	8,675,465
Net Position	\$31,335,267

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$26,000.

**CARROLL TOWNSHIP  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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.

<b><u>2017 Contributions to OTARMA</u></b>	
\$	59,929

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.

**9. OUTSTANDING LOAN RECEIVABLE**

The Township entered into a loan agreement with the Carroll Water and Sewer District (the District) in accordance with the Ohio Rev. Code Sections 505.705 and 6119.04. The agreement has provided that the Township could loan funds to the District to be used for the construction of the water and sewer facilities. The Township does not assess interest on this loan. As of December 31, 2017, the outstanding receivable owed to the Township totaled \$1,708,655.

**10. SUBSEQUENT EVENT**

The Township was made aware of a significant property devaluation of Davis Besse Nuclear Power facility approved by the State Board of Taxation in late 2017. According to the Ottawa County Auditor's estimate, the Township will receive approximately \$400,000 less in revenue in the General Fund and \$150,000 less in Road and Bridge revenue in 2018. Trustees are addressing these revenue reductions in the planning for 2018 expenses and appropriations.

**CARROLL TOWNSHIP**  
OTTAWA COUNTY

*COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016*

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$874,759	\$291,513		\$1,166,272
Charges for Services	167			167
Licenses, Permits and Fees	9,158	1,300		10,458
Fines and Forfeitures	10,840			10,840
Intergovernmental	584,756	242,452		827,208
Special Assessments		7,528		7,528
Earnings on Investments	5,250	3,508	\$1,594	10,352
Miscellaneous	27,143	10,450		37,593
<i>Total Cash Receipts</i>	<u>1,512,073</u>	<u>556,751</u>	<u>1,594</u>	<u>2,070,418</u>
<b>Cash Disbursements</b>				
Current:				
General Government	681,284	4,000		685,284
Public Safety	582,430			582,430
Public Works	207,453	417,983		625,436
Health	67,678	1,072		68,750
Capital Outlay	7,900	9,738		17,638
Debt Service:				
Principal Retirement		19,231		19,231
<i>Total Cash Disbursements</i>	<u>1,546,745</u>	<u>452,024</u>		<u>1,998,769</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(34,672)</u>	<u>104,727</u>	<u>1,594</u>	<u>71,649</u>
<b>Other Financing Receipts (Disbursements)</b>				
Sale of Capital Assets		30	33,300	33,330
Transfers In		1,088		1,088
Transfers Out	(1,088)			(1,088)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,088)</u>	<u>1,118</u>	<u>33,300</u>	<u>33,330</u>
<i>Net Changes in Fund Cash Balances</i>	<u>(35,760)</u>	<u>105,845</u>	<u>34,894</u>	<u>104,979</u>
<i>Fund Cash Balances, January 1</i>	<u>1,023,619</u>	<u>1,499,392</u>	<u>495,613</u>	<u>3,018,624</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		1,150,515	33,300	1,183,815
Committed		454,722		454,722
Assigned	623,360		497,207	1,120,567
Unassigned	364,499			364,499
<i>Fund Cash Balances, December 31</i>	<u>\$987,859</u>	<u>\$1,605,237</u>	<u>\$530,507</u>	<u>\$3,123,603</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, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

**B. Basis of Presentation**

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types which is organized on a fund type basis.

**C. Basis of Accounting**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(D) permit.

**D. Fund Accounting**

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**CARROLL TOWNSHIP  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**2. Special Revenue Funds**

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

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

**3. Capital Projects Funds**

These funds account for and report financial resources that are restricted 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 – This fund receives transfers and earnings on investments to be disbursed for capital related expenditures or equipment and building improvements.

Miscellaneous Capital Projects Fund – This fund received proceeds from the sale of capital assets by the Township and will be used for the construction or acquisition of permanent improvements.

**E. Budgetary Process**

The Ohio Revised Code requires each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2016 budgetary activity appears in Note 3.

**CARROLL TOWNSHIP  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**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, 2016**

**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. DEPOSITS**

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

	2016
Demand deposits	\$409,079
STAR Plus	2,714,524
Total deposits	\$3,123,603

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ended December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$993,250	\$1,512,073	\$518,823
Special Revenue	557,950	557,869	(81)
Capital Projects	46,300	34,894	(11,406)
Total	\$1,597,500	\$2,104,836	\$507,336

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,023,500	\$1,593,462	\$430,038
Special Revenue	1,132,900	522,827	610,073
Capital Projects	525,000		525,000
Total	\$3,681,400	\$2,116,289	\$1,565,111

**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.

**CARROLL TOWNSHIP  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

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, 2016 was as follows:

	Principal	Interest Rate
OPWC Loan #CE540	\$99,786	0%
OPWC Loan #CE46Q	15,226	0%
Total	\$115,012	

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

Amortization of the above debt is scheduled as follows:

Year ending December 31:	OPWC Loans
2017	\$10,160
2018	20,318
2019	20,318
2020	20,318
2021	20,318
2022-2024	23,580
	\$115,012

**6. DEFINED BENEFIT PENSION PLAN**

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

The Ohio Revised Code also prescribes contribution rates. For 2016, OPERS - Regular members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. For 2016 Police Officers of the Township covered under OPERS – Law Enforcement contributed 13% of their gross salaries and the Township contributed an amount equaling 18.10% of participants' gross salaries. The Township pays the entire employee portion for all full-time employees as a fringe benefit. The Township has paid all contributions required through December 31, 2016.

**CARROLL TOWNSHIP  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**7. POSTEMPLOYMENT BENEFITS**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

**8. RISK MANAGEMENT**

***Risk Pool Membership***

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, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2016, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2016.

**CARROLL TOWNSHIP  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

	<b>2016</b>
Assets	\$38,473,283
Liabilities	8,244,140
Net Position	\$30,229,143

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, 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.

<b><u>2016 Contributions to OTARMA</u></b>
\$57,864

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.

**9. OUTSTANDING LOAN RECEIVABLE**

The Township entered into a loan agreement with the Carroll Water and Sewer District (the District) in accordance with the Ohio Rev. Code Sections 505.705 and 6119.04. The agreement has provided that the Township could loan funds to the District to be used for the construction of the water and sewer facilities. The Township does not assess interest on this loan. As of December 31, 2017, the outstanding receivable owed to the Township totaled \$1,720,488.

**10. SUBSEQUENT EVENT**

The Township was made aware of a significant property devaluation of Davis Besse Nuclear Power facility approved by the State Board of Taxation in late 2017. According to the Ottawa County Auditor's estimate, the Township will receive approximately \$400,000 less in revenue in the General Fund and \$150,000 less in Road and Bridge revenue in 2018. Trustees are addressing these revenue reductions in the planning for 2018 expenses and appropriations.

**11. COMPLIANCE**

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



# Dave Yost • Auditor of State

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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Carroll Township, Ottawa County, Ohio (the Township) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated November 7, 2018 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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. We consider findings 2017-001 and 2017-002 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2017-003 and 2017-004 described in the accompanying schedule of findings to be significant deficiencies.

***Compliance and Other Matters***

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2017-002 through 2017-004.

***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 report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

November 7, 2018



**CARROLL TOWNSHIP  
OTTAWA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2017-001**

**Material Weakness – Financial Reporting**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16. We identified the following errors that required adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2017:

- Special Revenue Fund Type restricted fund balance in the amount of \$446,040 was reclassified to committed in accordance with the provisions of Government Accounting Standards Board Statement No.54 (GASB Cod 1800.165 - .179); and
- Capital Project Fund Type nonspendable fund balance in the amount of \$337,907 was reclassified to assigned in accordance with the provisions of Government Accounting Standards Board Statement No.54 (GASB Cod 1800.165 - .179).

We also identified errors requiring adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2016 include:

- Special Revenue Fund Type restricted fund balance in the amount of \$454,722 was reclassified to committed in accordance with the provisions of Government Accounting Standards Board Statement No.54 (GASB Cod 1800.165 - .179); and
- Capital Project Fund Type nonspendable fund balance in the amount of \$497,207 was reclassified to assigned in accordance with the provisions of Government Accounting Standards Board Statement No.54 (GASB Cod 1800.165 - .179).

These errors were not identified and corrected prior to the Township preparing its financial statements due to deficiencies in the Township's internal controls over financial statement monitoring. The accompanying financial statements and notes to the financial statements have been adjusted to reflect these changes. Additional insignificant errors were also noted for the fiscal years ended December 31, 2017 and 2016.

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

**Officials' Response:**

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

## FINDING NUMBER 2017-002

### Noncompliance Citation and Material Weakness

**Ohio Rev. Code § 5705.41(D)** 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.

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) of the Ohio Rev. Code.

1. "Then and Now" certificates - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that 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 thirty days from the receipt of the "then and now" certificate to approve payment by resolution.

Amounts less than \$3,000 may be paid by the fiscal officer without a resolution 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 the expenditures by the Township.

2. Blanket certificates - 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 operation expense. This certification is not to extend beyond the current year. More than one so-called "super blanket" certificate may be outstanding at a particular time for any line item appropriation.

Twenty-nine percent of transactions tested at year-end 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. These errors were not identified and corrected prior to the Township preparing its financial statements due to deficiencies in the Township's internal controls over financial statement monitoring and certification compliance. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. In addition, the Township had \$70,804 in outstanding purchase commitments as of December 31, 2016 that were not certified at year-end. The accompanying budgetary presentation in the notes to the financial statements has been adjusted to reflect this amount as an actual budgetary basis expenditure in the Special Revenue Fund Type.

**FINDING NUMBER 2017-002  
 (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, the Fiscal Officer should certify that the funds are or will be available prior to obligation by the Fiscal Officer. When prior certification is not possible, "then and now" certification should be used.

**Officials' Response:**

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

**FINDING NUMBER 2017-003**

**Finding for Recovery and Significant Deficiency**

**Ohio Rev. Code § 505.24** establishes a daily rate of compensation for each Township Trustee based upon the annual budget of the Township but for not more than two hundred (200) days annually. For the purposes of Ohio Rev. Code § 505.24, 'budget' refers to the official certificate of estimated resources and any amended certificates issued by the county budget commission.

For the period of January 1, 2016 through March 31, 2016, former Fiscal Officer Jessica Brough failed to certify the total amount from all sources available for expenditures from each fund as required by Ohio Rev. Code § 5705.36; therefore, per Ohio Auditor of State policy, no certificate of estimated resources was received from the county budget commission, resulting in certified resources of \$0. Upon taking office on April 1, 2016, the newly elected Fiscal Officer filed an Amended Official Certificate of Estimated Resources that placed the Township's budget in the \$3,500,001 - \$6,000,000 range. In order to determine the reasonableness of amounts compensated to each Township Trustee for the period of January 1, 2016 through March 31, 2016, the sum of unencumbered January 1, 2016 fund balance and actual receipts for all funds was calculated as follows:

<b>January 1, 2016 Balance (All Funds)</b>	<b>Receipts (All Funds)</b>	<b>Total</b>
<u>\$3,018,624</u>	<u>\$2,103,745</u>	<u>\$5,122,369</u>

OAG Opinions 1935-4043 and 1987-032 indicate that the amount that may be certified by a fiscal officer in the first amended official certificate of estimated resources includes amounts which are "reasonably certain to become available during the fiscal year." Former Fiscal Officer Jessica Brough based the Township Trustees' compensation for the period of January 1, 2016 through March 2016 on an estimated budget in the \$6,000,001 - \$10,000,000 range. The calculation of Township Trustee compensation using the \$6,000,001 - \$10,000,000 range does not appear reasonable given actual 2016 unencumbered balances plus actual receipts while taking into consideration the results of Finding 2015-003 reported in our audit of the 2015 and 2014 financial statements. Discussions with Township management identified no matters to support the estimated amount used by the former Fiscal Officer.

The daily rate for an annual budget in the \$3,500,001 - \$6,000,000 range is \$61.73 for a maximum annual compensation of \$12,346 (or \$1,029 per month) for Trustees Rodney Biggert and Kenneth Gyde (whose terms began prior to September 29, 2015). Trustee James Meek's, whose term began January 1, 2016, rate of pay is \$64.82 for a maximum annual compensation of \$12,964 (or \$1,080 per month).

**FINDING NUMBER 2017-003  
 (CONTINUED)**

The table below summarizes the difference in compensation based upon a reasonable estimate within the \$3,500,001 - \$6,000,000 budget estimate compared with the actual amounts compensated for the period of January 1, 2016 through March 31, 2016:

<b>Trustee</b>	<b>Compensation Using \$3,500,001 - \$6,000,000 Range for January 1, 2016 Through March 31, 2016</b>	<b>2016 Compensation Paid for January 1, 2016 Through March 31, 2016</b>	<b>2016 Overpayment</b>
Rodney Biggert	\$3,087	\$4,000	\$913
Kenneth Gyde	3,087	4,000	913
James Meek	3,240	4,199	959

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended in favor of the Carroll Township General Fund is hereby issued against Rodney Biggert in the amount of \$913, against Kenneth Gyde in the amount of \$913, and against James Meek in the amount of \$959.

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

Former Fiscal Officer Jessica Brough authorized the direct deposit resulting in improper payments. Former Fiscal Officer Jessica Brough and her bonding company, Travelers Casualty and Surety Company of America, are jointly and severally liable in the amount of \$2,785 and in favor of the Carroll Township General Fund to the extent that recovery is not obtained from Rodney Biggert, Kenneth Gyde, and James Meek.

On November 7, 2018, Carroll Township and James Meek entered into a Repayment Agreement for Mr. Meek’s to write a check for \$100 per month beginning in January 2019; until the amount of \$959 is paid in full.

The Township should develop policies and procedures to ensure budgetary estimates on the official and amended official certificates of estimated resources are reasonable and based on anticipated activity.

**Officials’ Response:**

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

**FINDING NUMBER 2017-004**

**Finding for Recovery and Significant Deficiency**

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

For the period of January 1, 2016 through March 31, 2016 former Fiscal Officer Jessica Brough failed to certify the total amount from all sources available for expenditures from each fund as required by Ohio Rev. Code § 5705.36; therefore, per Ohio Auditor of State policy, no certificate of estimated resources was received from the county budget commission, resulting in certified resources of \$0. Upon taking office on April 1, 2016 the newly elected Fiscal Officer filed an Amended Official Certificate of Estimated Resources that placed the Township's budget in the \$3,500,001 - \$6,000,000 range.

In order to determine the reasonableness of amounts compensated to the former Fiscal Officer for the period of January 1, 2016 through March 31, 2016, the sum of unencumbered January 1, 2016 fund balance and actual receipts for all funds was calculated as follows:

<b>January 1, 2016 Balance (All Funds)</b>	<b>Receipts (All Funds)</b>	<b>Total</b>
\$3,018,624	\$2,103,745	\$5,122,369

OAG Opinions 1935-4043 and 1987-032 indicate that the amount that may be certified by a fiscal officer in the first amended official certificate of estimated resources includes amounts which are "reasonably certain to become available during the fiscal year." Former Fiscal Officer Jessica Brough based her compensation as Fiscal Officer for the period of January 1, 2016 through March 2016 on an estimated budget in the \$6,000,001 - \$10,000,000 range. The calculation of the Fiscal Officer's compensation using the \$6,000,001 - \$10,000,000 range does not appear reasonable given actual 2016 unencumbered balances plus actual receipts while taking into consideration the results of Finding 2015-003 reported in our audit of the 2015 and 2014 financial statements. Our discussions with Township management identified no matters to support the estimated amount used by the former Fiscal Officer.

Pursuant to Ohio Rev. Code § 507.09, as effective on September 29, 2011, the maximum annual compensation for an annual budget in the \$3,500,001 - \$6,000,000 range is \$21,221 (or \$1,768 per month). The table below summarizes the difference in compensation based upon a reasonable estimate within the \$3,500,001 - \$6,000,000 budget estimate compared with the actual amounts compensated for the period of January 1, 2016 through March 31, 2016:

<b>Former Fiscal Officer</b>	<b>Compensation Using \$3,500,001 - \$6,000,000 Range for January 1, 2016 Through March 31, 2016</b>	<b>2016 Compensation Paid for January 1, 2016 Through March 31, 2016</b>	<b>2016 Overpayment</b>
Jessica Brough	\$5,304	\$6,090	\$786

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Jessica Brough, Former Fiscal Officer, and her bonding company, Travelers Casualty and Surety Company of America, jointly and severally liable in the amount of \$786, and in favor of the Carroll Township General Fund to the extent recovery is not obtained from Jessica Brough.

**FINDING NUMBER 2017-004  
(CONTINUED)**

The Township should develop policies and procedures to ensure budgetary estimates on the official and amended official certificates of estimated resources are reasonable and based on anticipated activity.

**Official's Response:**

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

# Carroll Township Trustees

OTTAWA COUNTY

11080 W. Toussaint E. Road ♦ Oak Harbor, Ohio 43449  
419-898-9621

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2017 AND 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Ohio Rev. Code § 149.351(A) and material weakness due to the destruction of public records.	Fully corrected.	N/A
2015-002	Ohio Rev. Code § 5705.41(B) for expenditures exceeding appropriations.	Fully corrected.	N/A
2015-003	Ohio Rev. Code § 505.24 and significant deficiency resulting in a finding for recovery for overpayment of Trustees.	Not corrected and reissued as Finding 2017-003 in this report.	The client declined the opportunity to respond and therefore did not provide reasoning for the continuation of this comment.
2015-004	Ohio Rev. Code § 507.09 and significant deficiency resulting in a finding for recovery for overpayment of Fiscal Officer.	Not corrected and reissued as Finding 2017-004 in this report.	The client declined the opportunity to respond and therefore did not provide reasoning for the continuation of this comment.
2015-005	Material weakness for the lack of timely bank reconciliation and receipt posting.	Fully corrected.	N/A
2015-006	Material weakness for failure to record payroll disbursements to the accounting system in a timely manner.	Fully corrected.	N/A
2015-007	Material weakness for the failure to accurately record various transactions and improve monitoring of financial activity.	Not corrected and reissued as Finding 2017-001 in this report.	The client declined the opportunity to respond and therefore did not provide reasoning for the continuation of this comment.

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# Dave Yost • Auditor of State

**CARROLL TOWNSHIP**

**OTTAWA COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 27, 2018**