



**CARROLL TOWNSHIP  
OTTAWA COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2007**



**Mary Taylor, CPA**  
Auditor of State



**CARROLL TOWNSHIP  
OTTAWA COUNTY**

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# Mary Taylor, CPA Auditor of State

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

To the Board of Trustees:

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

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

**Mary Taylor, CPA**  
Auditor of State

June 20, 2008

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Carroll Township, Ottawa County, (the Township) as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Carroll Township, Ottawa County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2008, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

June 20, 2008



**CARROLL TOWNSHIP  
OTTAWA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$524,057	\$180,506		\$704,563
Charges for Services	4,873			4,873
Licenses, Permits, and Fees	1,782	1,650		3,432
Fines and Forfeitures	7,687			7,687
Intergovernmental	600,416	254,698		855,114
Special Assessments		35,606		35,606
Earnings on Investments	123,972	41,418		165,390
Miscellaneous	19,884	2,425		22,309
	<u>1,282,671</u>	<u>516,303</u>		<u>1,798,974</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	497,790	10,041		507,831
Public Safety	407,773			407,773
Public Works	120,617	327,556		448,173
Health	76,318			76,318
Capital Outlay	25,765		\$15,173	40,938
Debt Service:				
Redemption of Principal		12,494		12,494
Interest and Other Fiscal Charges		4,879		4,879
	<u>1,128,263</u>	<u>354,970</u>	<u>15,173</u>	<u>1,498,406</u>
Total Receipts Over/(Under) Disbursements	<u>154,408</u>	<u>161,333</u>	<u>(15,173)</u>	<u>300,568</u>
<b>Other Financing Receipts:</b>				
Sale of Fixed Assets		150		150
Other Financing Sources	5,000			5,000
	<u>5,000</u>	<u>150</u>		<u>5,150</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements	159,408	161,483	(15,173)	305,718
Fund Cash Balances, January 1	<u>1,117,788</u>	<u>1,323,850</u>	<u>1,121,123</u>	<u>3,562,761</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$1,277,196</u></u>	<u><u>\$1,485,333</u></u>	<u><u>\$1,105,950</u></u>	<u><u>\$3,868,479</u></u>

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

**CARROLL TOWNSHIP  
OTTAWA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$594,368	\$204,369		\$798,737
Licenses, Permits, and Fees	105	800		905
Fines and Forfeitures	5,712			5,712
Intergovernmental	795,348	233,739		1,029,087
Special Assessments		38,851		38,851
Earnings on Investments	85,640	38,241		123,881
Miscellaneous	34,650	896		35,546
Total Cash Receipts	<u>1,515,823</u>	<u>516,896</u>		<u>2,032,719</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	499,390	11,000		510,390
Public Safety	431,984			431,984
Public Works	120,277	214,017		334,294
Health	64,701			64,701
Capital Outlay	28,652	4,700	\$7,213	40,565
Debt Service:				
Redemption of Principal		11,974		11,974
Interest and Other Fiscal Charges		5,399		5,399
Total Cash Disbursements	<u>1,145,004</u>	<u>247,090</u>	<u>7,213</u>	<u>1,399,307</u>
Total Receipts Over/(Under) Disbursements	<u>370,819</u>	<u>269,806</u>	<u>(7,213)</u>	<u>633,412</u>
Fund Cash Balances, January 1	<u>746,969</u>	<u>1,054,044</u>	<u>1,128,336</u>	<u>2,929,349</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$1,117,788</u></b>	<b><u>\$1,323,850</u></b>	<b><u>\$1,121,123</u></b>	<b><u>\$3,562,761</u></b>

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

**CARROLL TOWNSHIP  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

The Township participates in one public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is the Ohio Township Association Risk Management Authority (OTARMA).

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. Cash and Investments**

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

STAR Ohio is recorded at share values the State reports.

**D. Fund Accounting**

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

**1. General Fund**

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

**CARROLL TOWNSHIP  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**2. Special Revenue Funds**

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

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

**3. Capital Project Funds**

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

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

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**CARROLL TOWNSHIP  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**F. Property, Plant, and Equipment**

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

**G. Accumulated Leave**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2007	2006
Demand deposits	\$1,154,131	\$981,698
STAR Ohio	2,714,348	2,581,063
Total deposits and investments	\$3,868,479	\$3,562,761

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

The investment in STAR Ohio is not evidenced by securities that exist in physical or book-entry form.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$2,832,874	\$1,287,671	(\$1,545,203)
Special Revenue	751,000	516,453	(234,547)
Capital Project	380,000		(380,000)
Total	\$3,963,874	\$1,804,124	(\$2,159,750)

**CARROLL TOWNSHIP  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**3. BUDGETARY ACTIVITY – (CONTINUED)**

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,771,723	\$1,128,263	\$643,460
Special Revenue	515,969	354,970	160,999
Capital Projects	200,000	15,173	184,827
Total	\$2,487,692	\$1,498,406	\$989,286

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,318,200	\$1,515,823	\$197,623
Special Revenue	\$474,000	516,896	42,896
Capital Projects	380,800		(380,800)
Total	\$2,173,000	\$2,032,719	(\$140,281)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,728,000	\$1,145,004	\$582,996
Special Revenue	491,000	247,090	243,910
Capital Projects	200,000	7,213	192,787
Total	\$2,419,000	\$1,399,307	\$1,019,693

Contrary to Ohio law, budgetary appropriations exceeded estimated revenue in the Road and Bridge Fund by \$61, 870 in 2006.

**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, 2007 AND 2006  
(Continued)**

**4. PROPERTY TAX – (CONTINUED)**

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**5. DEBT**

Debt outstanding at December 31, 2007, was as follows:

	Principal	Interest Rate
Special Assessment Bond	\$104,058	4.3%

The Township issued special assessment bonds to improve waterways by constructing breakwall improvements at Turtle Creek. The loan is collateralized by the Township's taxing authority.

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

	Special Assessment Bonds
Year ending December 31:	
2008	\$17,373
2009	17,373
2010	17,373
2011	17,373
2012	17,372
2013-2014	34,746
Total	\$121,610

**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 the plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5 and 9 percent, respectively, of their gross salaries and the Township contributed an amount equaling 13.85 and 13.7 percent, respectively, of participants' gross salaries. Policemen of the Township covered under OPERS contributed 10.1 percent of their gross salaries and the Township contributed an amount equaling 17.17 and 16.93 percent, respectively, of participant's gross salaries. The Township pays the entire employee portion for all full-time employees as a fringe benefit. The Township has paid all contributions required through December 31, 2007.

**CARROLL TOWNSHIP  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). 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 Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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



**CARROLL TOWNSHIP  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**7. RISK MANAGEMENT – (CONTINUED)**

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2007 and 2006.

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$34,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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>Contributions to OTARMA</u></b>	
2005	\$50,628
2006	\$47,895
2007	\$36,490

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary 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.

**CARROLL TOWNSHIP  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**8. OUTSTANDING LOAN RECEIVABLE**

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

As of December 31, 2007, the outstanding receivable owed to the Township totaled \$1,892,936.

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

As of December 31, 2007, the outstanding receivable owed to the Township totaled \$60,000.



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Trustees:

We have audited the financial statements of Carroll Township, Ottawa County, (the Township) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated June 20, 2008, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-003 and 2007-004.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2007-004 is also a material weakness.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated June 20, 2008.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance we must report under *Government Auditing Standards* as items 2007-001, 2007-002, and 2007-003.

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

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



**Mary Taylor, CPA**  
Auditor of State

June 20, 2008

CARROLL TOWNSHIP  
OTTAWA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006

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

FINDING NUMBER 2007-001

**Noncompliance Finding**

Ohio Revised Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time 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 ordinance or resolution.

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

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

The Fiscal Officer did not properly certify the availability of funds prior to purchase commitment for 32 percent of expenditures tested and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. The Board of Trustees has, to date, not established the maximum blanket certificate amount by formal resolution or ordinance.

**FINDING NUMBER 2007-001  
(Continued)**

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

We recommend the Fiscal Officer certify all purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41 (D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. Also, the Board of Trustees should establish, by formal resolution or ordinance, the desired maximum amount of blanket certificates. We also made this comment in the management letter for audit of the 2005 and 2004 financial statements.

**Client Response:**

Carroll Townships' previous audit for 2004-2005 didn't end until December of 2006. At this time this issue was already done for 2006. In 2007 this item was corrected and done appropriately. We will continue to improve and work to carryout these guidelines as set forth.

**FINDING NUMBER 2007-002**

**Noncompliance Finding**

Ohio Revised 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.

As of December 31, 2006, the Road and Bridge Fund's appropriations of \$445,000 exceeded estimated revenue of \$383,130 for a variance of \$61,870. The failure to limit appropriations to amounts certified could allow for deficit spending practices, resulting in deficit fund balances.

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.

**Client Response:**

Carroll Townships' previous audit for 2004-2005 didn't end until December of 2006. At this time this issue was already done for 2006. This again was something that was only done in 2006 and was corrected for 2007 year. We will continue to improve and work on this item in the future.

**FINDING NUMBER 2007-003**

**Noncompliance Finding/Significant Deficiency**

Ohio Revised Code § 5705.10 (H) states that money paid into any fund shall only be used for the purposes for which such fund is established.

In 2006, the Fiscal Officer erroneously posted \$19,441 of special assessment monies for the Dock Tax

Fund and the Turtle Creek Dock Tax Fund to the General Fund. The failure to properly post revenues to the appropriate fund could allow the Township to expend those revenues for unallowable purposes.

The following adjustment was made to the financial statements:

<b>2006</b>		
<u>Fund</u>	<u>Increase</u>	<u>Decrease</u>
General Fund		\$ 19,441
Dock Tax Fund	\$ 2,786	
Turtle Creek Dock Tax Fund	16,655	

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township officials should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Township Trustees, to identify and correct errors and omissions. Also, the Fiscal Officer can refer to the UAN accounting manual at the following web site address for guidance on the posting of transactions: [http://uanlink.auditor.state.oh.us/pdf/uan\\_winsoftware/AccountingManual.pdf](http://uanlink.auditor.state.oh.us/pdf/uan_winsoftware/AccountingManual.pdf)

**Client Response:**

Carroll Townships' previous audit for 2004-2005 didn't end until December of 2006. At that time this issue was already done. There was never a special assessment fund set up in UAN until I did so after the audit, so it was apparently done that way previously as well. It was correctly done in 2007, after I was made aware of this issue; it was corrected before the audit exit.

**FINDING NUMBER 2007-004**

**Material Weakness/Financial Reporting**

We found the following errors requiring adjustment to the financial statements:

- We reclassified debt service payments of \$17,373 for 2006 and \$17,373 for 2007 that were incorrectly reported as a general government expense rather than principal and interest payments.
- We reclassified public utility taxes of \$617,478 for the General Fund and \$147,020 for the Road and Bridge Fund that were incorrectly recorded as taxes to the intergovernmental line item during 2006.
- We reclassified 2006 General Fund monies received from the United States Treasury in the amount of \$107,520 that were incorrectly posted as miscellaneous revenue to the intergovernmental line item.
- We reclassified 2006 monies received for special assessments in the amount of \$19,410 that were incorrectly posted as taxes to the special assessment line item.

**FINDING NUMBER 2007-004  
(Continued)**

Sound financial reporting is the responsibility of the Fiscal Officer and 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 and Board of Trustees, to identify and correct errors and omissions, as well as recording correct budgetary information. Also, the Fiscal Officer can refer to the UAN accounting manual

available from the following web address for guidance on the posting of transactions:  
[http://uanlink.auditor.state.oh.us/pdf/uan\\_win\\_software/AccountingManual.pdf](http://uanlink.auditor.state.oh.us/pdf/uan_win_software/AccountingManual.pdf).

**Client Response:**

Carroll Townships' previous audit for 2004-2005 didn't end until December of 2006. The accounts which were not used didn't even exist in the UAN system until I added them in January of 2007. At that point the effort was made to correctly post all of these items. We will continue to improve and work on these items in the future.



**CARROLL TOWNSHIP  
OTTAWA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-001	ORC 5705.41 (D) (1) Fiscal Officer did not certify funds prior to purchase commitment.	No	Not corrected. Reissued as finding number 2007-001 in this report.





**Mary Taylor, CPA**  
Auditor of State

**CARROLL TOWNSHIP**

**OTTAWA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 15, 2008**