



OHIO AUDITOR OF STATE  
**KEITH FABER**





**CARROLL TOWNSHIP  
OTTAWA COUNTY**

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# OHIO AUDITOR OF STATE KEITH FABER



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## 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, 2019 and 2018.

### ***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 2 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, 2019 and 2018, 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, 2019 and 2018, 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 2.

***Emphasis of Matter***

As discussed in Note 11 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. We did not modify our opinion regarding this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2020, 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.



Keith Faber  
Auditor of State

Columbus, Ohio

September 1, 2020

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**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, 2019*

	<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	\$622,630	\$630,908		\$1,253,538
Charges for Services		19,994		19,994
Licenses, Permits and Fees	11,499	4,000		15,499
Fines and Forfeitures	1,734			1,734
Intergovernmental	699,855	247,181	\$120,169	1,067,205
Special Assessments		6,960		6,960
Earnings on Investments	44,355	10,531	6,180	61,066
Miscellaneous	26,077	4,809		30,886
<i>Total Cash Receipts</i>	<u>1,406,150</u>	<u>924,383</u>	<u>126,349</u>	<u>2,456,882</u>
<b>Cash Disbursements</b>				
Current:				
General Government	318,360	2,600		320,960
Public Safety	189,639	365,418		555,057
Public Works	60,946	561,081		622,027
Health	86,112	16,428		102,540
Capital Outlay			177,669	177,669
Debt Service:				
Principal Retirement		27,770		27,770
<i>Total Cash Disbursements</i>	<u>655,057</u>	<u>973,297</u>	<u>177,669</u>	<u>1,806,023</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>751,093</u>	<u>(48,914)</u>	<u>(51,320)</u>	<u>650,859</u>
<b>Other Financing Receipts (Disbursements)</b>				
Sale of Capital Assets			57,500	57,500
Transfers In		295,000		295,000
Transfers Out	(295,000)			(295,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(295,000)</u>	<u>295,000</u>	<u>57,500</u>	<u>57,500</u>
<i>Net Changes in Fund Cash Balances</i>	456,093	246,086	6,180	708,359
<i>Fund Cash Balances, January 1</i>	<u>1,351,952</u>	<u>1,115,451</u>	<u>405,410</u>	<u>2,872,813</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		752,801	68,874	821,675
Committed		608,736		608,736
Assigned	59,800		342,716	402,516
Unassigned	1,748,245			1,748,245
<i>Fund Cash Balances, December 31</i>	<u>\$1,808,045</u>	<u>\$1,361,537</u>	<u>\$411,590</u>	<u>\$3,581,172</u>

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

**Carroll Township**  
*Ottawa County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 1 – Reporting 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, fire protection and emergency medical services, and general government services.

***Public Entity Risk Pool***

The Township participates in a public entity risk pool. Note 6 to the financial statements provide additional information for this entity.

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

**Note 2 – Summary of Significant Accounting Policies**

***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.

***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:

***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.

***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:

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

***Road and Bridge Fund*** The Road and Bridge Fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

***Police Levy Fund*** The Policy Levy Fund receives property tax money for police protection services.

***Capital Project 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:

**Carroll Township**  
*Ottawa County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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***Public Works Commission Projects Fund*** The Township received a grant from the state for capital improvements. The proceeds are restricted for capital improvement.

***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.

***Budgetary Process***

The Ohio Revised Code requires each fund be budgeted annually.

***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.

***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.

***Encumbrances*** The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2019 budgetary activity appears in Note 3.

***Capital Assets***

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

***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.

***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*  
*For the Year Ended December 31, 2019*

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

***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.

***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.

***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.

***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.

**Note 3 – Budgetary Activity**

Budgetary activity for the year ended December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,087,100	\$1,406,150	\$319,050
Special Revenue	1,034,150	1,219,383	185,233
Capital Projects	392,500	183,849	(208,651)
Total	\$2,513,750	\$2,809,382	\$295,632

**Carroll Township**  
*Ottawa County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,217,400	\$950,057	\$267,343
Special Revenue	1,417,664	974,872	442,792
Capital Projects	637,500	177,669	459,831
<b>Total</b>	<b>\$3,272,564</b>	<b>\$2,102,598</b>	<b>\$1,169,966</b>

**Note 4 – Deposits**

The Township maintains a deposits pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31, 2019 was as follows:

	2019
Demand deposits	\$833,440
STAR Plus	2,747,732
Total deposits	\$3,581,172

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**Note 5 – Property Taxes**

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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*  
*For the Year Ended December 31, 2019*

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**Note 6 – Risk Management**

***Risk Pool Membership***

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township’s policy. The Pool covers the following risks:

- General liability and casualty
- Public official’s liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2019</u>
Cash and investments	\$35,207,320
Actuarial liabilities	\$ 10,519,942

**Note 7 – Defined Benefit Pension Plan**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. OPERS - Regular members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants’ gross salaries. Police Officers of the Township covered under OPERS – Law Enforcement contributed 13 percent of their gross salaries and the Township contributed an amount equaling 18.10 percent of participants’ gross salaries. The Township pays the entire employee portion for all employees. The Township has paid all contributions required through December 31, 2019.

**Carroll Township**  
*Ottawa County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

**Note 8 – 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 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019.

**Note 9 – Debt**

Debt outstanding at December 31, 2019 was as follows:

	Principal	Interest Rate
OPWC Loan #CE540	\$54,429	0%
OPWC Loan #CE46Q	9,185	0%
OPWC Loan #CE41T	60,184	0%
Total	\$123,798	

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 #CE46Q relates to a joint road resurfacing project between Carroll, Allen, and Benton townships. The amount disclosed above represents Carroll Township’s portion of the outstanding loan amount. The loan will be repaid in semiannual installments of \$1,087 through the year 2024. OPWC loan #CE41T relates to a joint road resurfacing project between Carroll and Danbury townships. The amount disclosed above represents Carroll Township’s portion of the outstanding loan amount. The loan will be repaid in semiannual installments of \$3,540 through the year 2028.

Amortization of the above debt is scheduled as follows:

Year Ending December 31:	OPWC Loans
2020	\$27,398
2021	27,398
2022	27,398
2023	9,255
2024	7,565
2025-2028	24,784
Total	\$123,798

**Carroll Township**  
*Ottawa County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 10 – 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, 2019, the outstanding receivable owed to the Township totaled \$1,697,721.

**Note 11 – Subsequent Event**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. The impact on the Township's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**Note 12 – Contingent Liabilities**

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**Note 13 – Compliance**

Contrary to Ohio law, the Township recorded proceeds from the sale of a permanent improvement in the incorrect fund.



**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, 2018*

	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$551,055	\$183,602		\$734,657
Licenses, Permits and Fees	11,105	1,700		12,805
Fines and Forfeitures	3,558			3,558
Intergovernmental	547,606	245,837	70,358	863,801
Special Assessments		8,277		8,277
Earnings on Investments	35,010	17,111		52,121
Miscellaneous	47,879	8,228		56,107
<i>Total Cash Receipts</i>	<u>1,196,213</u>	<u>464,755</u>	<u>70,358</u>	<u>1,731,326</u>
<b>Cash Disbursements</b>				
Current:				
General Government	315,202	6,000		321,202
Public Safety	421,880			421,880
Public Works	137,500	644,150		781,650
Health	86,112	2,620		88,732
Conservation-Recreation	270			270
Capital Outlay		145,994	70,729	216,723
Debt Service:				
Principal Retirement		23,858		23,858
<i>Total Cash Disbursements</i>	<u>960,964</u>	<u>822,622</u>	<u>70,729</u>	<u>1,854,315</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>235,249</u>	<u>(357,867)</u>	<u>(371)</u>	<u>(122,989)</u>
<b>Other Financing Receipts</b>				
Loans Issued			371	371
<i>Net Changes in Fund Cash Balances</i>	235,249	(357,867)		(122,618)
<i>Fund Cash Balances, January 1</i>	<u>1,116,703</u>	<u>1,473,318</u>	<u>405,410</u>	<u>2,995,431</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		698,597	68,874	767,471
Committed		416,854		416,854
Assigned	130,300		336,536	466,836
Unassigned	1,221,652			1,221,652
<i>Fund Cash Balances, December 31</i>	<u>\$1,351,952</u>	<u>\$1,115,451</u>	<u>\$405,410</u>	<u>\$2,872,813</u>

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

**Carroll Township**  
*Ottawa County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 1 – Reporting Entity**

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***Public Entity Risk Pool***

The Township participates in a public entity risk pool. Note 6 to the financial statements provide additional information for this entity.

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

**Note 2 – Summary of Significant Accounting Policies**

***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.

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***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:

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

***Road and Bridge Fund*** The Road and Bridge Fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

***Capital Project 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:

***Public Works Commission - Project Bier Fund*** The Township received a grant and loan from the state for capital improvements. The proceeds are restricted for capital improvement.

**Carroll Township**  
*Ottawa County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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***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.

***Budgetary Process***

The Ohio Revised Code requires each fund be budgeted annually.

***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.

***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.

***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 2018 budgetary activity appears in Note 3.

***Capital Assets***

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

***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.

***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:

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

**Carroll Township**  
*Ottawa County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

**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.

**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.

**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.

**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.

**Note 3 – Budgetary Activity**

Budgetary activity for the year ended December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,104,200	\$1,196,213	\$92,013
Special Revenue	420,900	464,755	43,855
Capital Projects	88,500	70,729	(17,771)
Total	\$1,613,600	\$1,731,697	\$118,097

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,211,200	\$960,964	\$250,236
Special Revenue	1,089,000	822,622	266,378
Capital Projects	337,000	70,729	266,271
Total	\$2,637,200	\$1,854,315	\$782,885

**Carroll Township**  
*Ottawa County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 4 – Deposits**

The Township maintains a deposits pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31, 2018 was as follows:

	<u>2018</u>
Demand deposits	<u>\$86,069</u>
STAR Plus	<u>2,786,744</u>
Total deposits	<u><u>\$2,872,813</u></u>

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**Note 5 – Property Taxes**

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

**Note 6 – Risk Management**

***Risk Pool Membership***

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

**Carroll Township**  
*Ottawa County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

2018

Cash and investments	\$33,097,416
Actuarial liabilities	\$ 7,874,610

**Note 7 – Defined Benefit Pension Plan**

*Ohio Public Employees Retirement System*

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

The Ohio Revised Code also prescribes contribution rates. OPERS - Regular members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants’ gross salaries. Police Officers of the Township covered under OPERS – Law Enforcement contributed 13 percent of their gross salaries and the Township contributed an amount equaling 18.10 percent of participants’ gross salaries. The Township pays the entire employee portion for all employees as a fringe benefit. The Township has paid all contributions required through December 31, 2018.

**Note 8 – Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which includes 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 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for members in the member-directed plan was 4.0 percent during calendar year 2018.

**Note 9 – Debt**

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan #CE54O	\$72,572	0%
OPWC Loan #CE46Q	11,360	0%
OPWC Loan #CE41T	67,264	0%
OPWC Loan #CE06V	371	0%
Total	<u>\$151,567</u>	

**Carroll Township**  
*Ottawa County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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 #CE46Q relates to a joint road resurfacing project between Carroll, Allen, and Benton townships. The amount disclosed above represents Carroll Township’s portion of the outstanding loan amount. The loan will be repaid in semiannual installments of \$1,087 through the year 2024. OPWC loan #CE41T relates to a joint road resurfacing project between Carroll and Danbury townships. The amount disclosed above represents Carroll Township’s portion of the outstanding loan amount. The loan will be repaid in semiannual installments of \$3,540 through the year 2028. OPWC loan #CE06V relates to a joint road resurfacing project between Carroll, Benton, and Harris townships. The amount disclosed above represents Carroll Township’s portion of the outstanding loan amount. The loan will be repaid by a one-time payment of \$371 during 2019.

Amortization of the above debt is scheduled as follows:

Year Ending December 31:	OPWC Loans
2019	\$27,769
2020	27,398
2021	27,398
2022	27,398
2023	9,255
2024-2028	32,349
Total	<u><u>\$151,567</u></u>

**Note 10 – 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, 2018, the outstanding receivable owed to the Township totaled \$1,697,721.

**Note 11 – Subsequent Event**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. The impact on the Township’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**Note 12 – Contingent Liabilities**

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**Carroll Township**  
*Ottawa County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 13 – Compliance**

Contrary to Ohio law, the Township allocated earnings on investments to an incorrect fund.



# OHIO AUDITOR OF STATE KEITH FABER



One Government Center, Suite 1420  
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NorthwestRegion@ohioauditor.gov

## 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, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated September 1, 2020 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township.

### ***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.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2019-001 through 2019-003 to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2019-001 and 2019-003.

***Township's Response to Findings***

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

***Purpose of this Report***

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



Keith Faber  
Auditor of State

Columbus, Ohio

September 1, 2020

**CARROLL TOWNSHIP  
OTTAWA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2019 AND 2018**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2019-001**

**Noncompliance Citation and Material Weakness**

**Ohio Rev. Code § 5705.10(F)** requires revenue received from the sale of a permanent improvement to be paid into the sinking fund, the bond retirement fund, or a special fund for the construction or acquisition of permanent improvements. **Ohio Rev. Code § 5705.01(E)** defines "permanent improvement" or "improvement" to mean "any property, asset, or improvement with an estimated life or usefulness of five years or more, including land and interests therein, and reconstructions, enlargements, and extensions thereof having an estimated life or usefulness of five years or more."

In 2019, the Township inappropriately recorded \$57,500 from the sale of a tractor and crack sealer in the Road and Bridge Fund as miscellaneous receipts. The Township also inappropriately recorded disbursements associated with the purchase of a crack filling machine and tractor that were intended to be paid for with the sale proceeds above in the Gasoline Tax Fund. Given the source of the revenue, these receipts, related budgeted receipts, expenses, and related budgeted expenses should have been recorded in the Miscellaneous Capital Project Fund as sale of capital assets for the receipts and capital outlay for the disbursements. Audit adjustments are reflected in the financial statements, notes to the financial statements, and in the accounting records correcting the misstatement.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Township should implement controls to help ensure all transactions are reviewed and posted to the proper funds.

**Officials' Response:**

We tried to post to the correct funds following the Government Services advice.

**FINDING NUMBER 2019-002**

**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, 2019:

- Special Revenue Fund Type restricted fund balance in the amount of \$608,736 was reclassified to committed in accordance with the provisions of Government Accounting Standards Board Statement No. 54 (GASB Cod 1800.165 - .179);

**FINDING NUMBER 2019-002  
(CONTINUED)**

- Special Revenue Fund Type appropriation authority and budgetary expenditures were increased in the amounts of \$515,764 and \$328,520, respectively, in order to bring the amounts reported in the Budgetary Activity note to the financial statements in line with authorized budget and actual amounts;
- Special Revenue Fund Type budgeted receipts and actual receipts were increased in the amounts of \$466,150 and \$476,386, respectively, in order to bring the amounts reported in the Budgetary Activity note to the financial statements in line with authorized budget and actual amounts;
- Capital Projects Fund Type intergovernmental receipts and capital outlay disbursements were each decreased in the amount of \$147,796 in order to properly account for the Township's share of a joint Ohio Public Works Commission project;
- Capital Projects Fund Type nonspendable fund balance in the amount of \$348,868 was reclassified to assigned in accordance with the provisions of Government Accounting Standards Board Statement No. 54 (GASB Cod 1800.165 - .179);
- Capital Projects Fund Type appropriation authority were increased in the amount of \$250,000 and budgetary expenditures were decreased in the amount of \$90,296 in order to bring the amounts reported in the Budgetary Activity note to the financial statements in line with authorized budget and actual amounts; and
- Capital Projects Fund Type actual receipts were decreased in the amount of \$84,116 in order to bring the amount reported in the Budgetary Activity note to the financial statements in line with the actual amount.

We also identified the following errors that required adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2018:

- Special Revenue Fund Type restricted fund balance in the amount of \$416,854 was reclassified to committed in accordance with the provisions of Government Accounting Standards Board Statement No. 54 (GASB Cod 1800.165 - .179); and
- Capital Projects Fund Type nonspendable fund balance in the amount of \$342,688 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 errors in smaller relative amounts were also noted for the years ended December 31, 2019 and 2018.

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

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

**FINDING NUMBER 2019-002  
(CONTINUED)**

Additionally, the Fiscal Officer can refer to Audit Bulletin 2002-004 at the following website address for guidance on properly accounting for Issue 2 money:  
<http://www.ohioauditor.gov/publications/bulletins/2002/2002-004.pdf>.

**Officials' Response:**

We tried to post to the correct funds following the Government Services advice.

**FINDING NUMBER 2019-003**

**Noncompliance Citation and Material Weakness**

**Ohio Rev. Code § 135.21** provides in part that all other investment earnings, except as provided in section 135.351 of the Ohio Rev. Code, shall be credited to the general fund of the Township to which the principal sum thereof belongs. Additionally, **Ohio Const. Art. XII, Section 5a, and 1982 Op. Att'y. Gen. No. 82-031** provide that interest earned on money derived from a motor vehicle license or fuel tax must follow the principal.

The Township inappropriately recorded \$6,152 of earnings on investments receipts in the Permanent Improvement Fund during the year ended December 31, 2018. Given the source of the revenue, \$3,769, \$348, and \$2,035 in earnings on investments receipts should have been recorded in the General, Motor Vehicle License Tax, and Gasoline Tax funds, respectively. Audit adjustments are reflected in the financial statements and in the accounting records correcting the misstatement.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Township should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds.

**Officials' Response:**

We were not aware that the interest was posted to the wrong funds.



11080 W Toussaint East Rd  
 Oak Harbor, OH 43449  
 419.898.9621

Jordan Moore, Trustee

James Meek, Trustee

Sandra Shearon, Trustee

Tina Biggert, Fiscal Officer

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
 DECEMBER 31, 2019 AND 2018**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2017-001	Finding first reported in 2013. Material weakness for errors in financial reporting.	Not corrected and reissued as Finding 2019-002 in this report.	This matter was not corrected due to deficiencies in the Township's internal controls over financial reporting. The Township is making efforts to post to correct funds by following the suggested publications and Auditor of State Bulletins noted in the finding.
2017-002	Ohio Rev. Code § 5705.41(D) and Material Weakness for the failure to properly certify disbursements.	Partially corrected and reissued as part of the management letter.	This matter was not corrected due to deficiencies in the Township's internal controls over compliance. The Township is working to correct the material weakness for the failure to properly certify disbursements as reported above.
2017-003	Finding for Recovery and Significant Deficiency Ohio Rev. Code § 505.24 overpayment of Trustee salaries.	Fully corrected	All three of the Trustees noted in the report have repaid the full amount.
2017-004	Finding for Recovery and Significant Deficiency Ohio Rev. Code § 507.09 overpayment of Fiscal Officer salary.	Fully corrected	The Fiscal Officer noted in the report has repaid the full amount.

# OHIO AUDITOR OF STATE KEITH FABER



**CARROLL TOWNSHIP**

**OTTAWA COUNTY**

## **AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 9/15/2020**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)