



Dave Yost • Auditor of State

**CARTHAGE TOWNSHIP
ATHENS COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Carthage Township
Athens County
23171 Township Road 119
Coolville, Ohio 45723

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Carthage Township, Athens County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2013 and 2012, or changes in financial position thereof, for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

During 2012, the Township failed to maintain support for \$200 in Miscellaneous Receipts in the Permanent Fund. As a result, we were unable to gain assurances over completeness of this revenue source for this fund.

Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion on Regulatory Basis of Accounting* paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Carthage Township, Athens County, Ohio, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2014, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

September 11, 2014

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**CARTHAGE TOWNSHIP
ATHENS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 43,682	\$ 137,479	\$	\$ 181,161
Intergovernmental	14,783	122,845		137,628
Charges for Services	854			854
Earnings on Investments	116	85		201
Miscellaneous	2,617	3,810		6,427
<i>Total Cash Receipts</i>	<u>62,052</u>	<u>264,219</u>	<u>0</u>	<u>326,271</u>
Cash Disbursements				
Current:				
General Government	57,632	7,085		64,717
Public Safety		27,848		27,848
Public Works		225,820		225,820
Other	2,085			2,085
<i>Total Cash Disbursements</i>	<u>59,717</u>	<u>260,753</u>	<u>0</u>	<u>320,470</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,335</u>	<u>3,466</u>	<u>0</u>	<u>5,801</u>
Other Financing Receipts (Disbursements)				
Other Financing Uses		(813)		(813)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>(813)</u>	<u>0</u>	<u>(813)</u>
<i>Net Change in Fund Cash Balances</i>	2,335	2,653	0	4,988
<i>Fund Cash Balances, January 1</i>	<u>10,475</u>	<u>118,718</u>	<u>2,171</u>	<u>131,364</u>
Fund Cash Balances, December 31				
Nonspendable			1,600	1,600
Restricted		80,038	571	80,609
Committed		41,333		41,333
Unassigned (Deficit)	12,810			12,810
<i>Fund Cash Balances, December 31</i>	<u>\$ 12,810</u>	<u>\$ 121,371</u>	<u>\$ 2,171</u>	<u>\$ 136,352</u>

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

**CARTHAGE TOWNSHIP
ATHENS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 44,193	\$ 81,122	\$	\$ 125,315
Intergovernmental	17,244	157,481		174,725
Earnings on Investments	128	84	15	227
Miscellaneous	3,494	1,015	200	4,709
<i>Total Cash Receipts</i>	<u>65,059</u>	<u>239,702</u>	<u>215</u>	<u>304,976</u>
Cash Disbursements				
Current:				
General Government	76,401			76,401
Public Safety		23,000		23,000
Public Works		209,407		209,407
Other	1,686	28		1,714
Capital Outlay		7,500		7,500
<i>Total Cash Disbursements</i>	<u>78,087</u>	<u>239,935</u>	<u>0</u>	<u>318,022</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(13,028)</u>	<u>(233)</u>	<u>215</u>	<u>(13,046)</u>
Other Financing Receipts (Disbursements)				
Other Financing Sources		1,500		1,500
Other Financing Uses		(813)		(813)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>687</u>	<u>0</u>	<u>687</u>
<i>Net Change in Fund Cash Balances</i>	<u>(13,028)</u>	<u>454</u>	<u>215</u>	<u>(12,359)</u>
<i>Fund Cash Balances, January 1</i>	<u>23,503</u>	<u>118,264</u>	<u>1,956</u>	<u>143,723</u>
Fund Cash Balances, December 31				
Nonspendable			1,600	1,600
Restricted		82,226	571	82,797
Committed		36,492		36,492
Unassigned (Deficit)	10,475			10,475
<i>Fund Cash Balances, December 31</i>	<u>\$ 10,475</u>	<u>\$ 118,718</u>	<u>\$ 2,171</u>	<u>\$ 131,364</u>

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

**CARTHAGE TOWNSHIP
ATHENS COUNTY**

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

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Carthage Township, Athens County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection. The Township contracts with the Amesville Fire Department to provide fire services.

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

B. Accounting Basis

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

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

C. Deposits

The Township values certificates of deposit at cost. All other available funds of the Township are in an interest-bearing checking account.

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

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

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

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

**CARTHAGE TOWNSHIP
ATHENS COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

3. Permanent Funds

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the Township's programs (for the benefit of the Township or its citizenry). The Township had the following significant Permanent Fund:

Cemetery Bequest Fund - This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

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

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

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

**CARTHAGE TOWNSHIP
ATHENS COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

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

2. Equity in Pooled Deposits

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

	<u>2013</u>	<u>2012</u>
Demand deposits	\$134,752	\$129,764
Certificates of deposit	1,600	1,600
Total deposits	<u>\$136,352</u>	<u>\$131,364</u>

**CARTHAGE TOWNSHIP
ATHENS COUNTY**

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

2. Equity in Pooled Deposits (Continued)

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

3. Budgetary Activity

Budgetary activity for the years ending 2013 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$74,037	\$62,052	(\$11,985)
Special Revenue	337,519	264,219	(73,300)
Permanent	0	0	0
Total	<u>\$411,556</u>	<u>\$326,271</u>	<u>(\$85,285)</u>

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$57,642	\$59,883	(\$2,241)
Special Revenue	356,814	261,797	95,017
Permanent	0	0	0
Total	<u>\$414,456</u>	<u>\$321,680</u>	<u>\$92,776</u>

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$83,537	\$65,059	(\$18,478)
Special Revenue	492,897	241,202	(251,695)
Permanent	0	215	215
Total	<u>\$576,434</u>	<u>\$306,476</u>	<u>(\$269,958)</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$74,037	\$78,581	(\$4,544)
Special Revenue	337,519	241,590	95,929
Permanent	0	0	0
Total	<u>\$411,556</u>	<u>\$320,171</u>	<u>\$91,385</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$2,241 and by \$4,545 for the years ended December 31, 2013 and 2012, respectively. Also contrary to Ohio law, the significant supplemental appropriations and amendments were posted to the accounting system without Trustee approval.

**CARTHAGE TOWNSHIP
ATHENS COUNTY**

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

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township

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

5. Debt

Debt outstanding at December 31, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Hocking Valley Bank Loan	\$13,586	1.10%

The Township issued a general obligation note to finance the purchase of a new track hoe and trailer for Township road maintenance. The Township's taxing authority collateralized the note.

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

Year ending <u>December 31:</u>	Hocking Valley <u>Bank Loan</u>
2014	\$6,897
2015	6,897
Total	<u><u>\$13,794</u></u>

6. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

7. Risk Management

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

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

**CARTHAGE TOWNSHIP
ATHENS COUNTY**

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

7. Risk Management (Continued)

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Assets	\$34,954,286	\$34,771,270
Liabilities	<u>(8,486,363)</u>	<u>(9,355,082)</u>
Net Position	<u>\$26,467.923</u>	<u>\$25,416.188</u>

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$4,000.

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

Contributions to OTARMA

	<u>2013</u>	<u>2012</u>
	\$8,340	\$7,981

**CARTHAGE TOWNSHIP
ATHENS COUNTY**

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

7. Risk Management (Continued)

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

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Dave Yost • Auditor of State

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

Carthage Township
Athens County
P.O. Box 203
Coolville, Ohio 45723

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 Carthage Township, Athens County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated September 11, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We qualified our opinion on receipts in the Permanent Fund.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-002 through 2013-005 described in the accompanying Schedule of Findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2013-001 through 2013-004.

Entity'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 audit the Township's responses 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 communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

September 11, 2014

**CARTHAGE TOWNSHIP
ATHENS COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

FINDING NUMBER 2013-001

Noncompliance Citation

Ohio Rev. Code § 5705.41(B) states no subdivision or taxing unit is to expend money unless it has been appropriated.

At December 31, 2013, total expenditures exceeded total appropriations as follows:

Fund	Appropriations	Budgetary Expenditures	Variance
General Fund	\$ 57,642	\$ 59,883	\$ (2,241)
Road Maintenance (Dust) Levy	62,273	66,295	(4,022)
Fire Levy	22,285	22,848	(563)
Permissive Motor Vehicle License Tax	5,926	12,085	(6,159)

At December 31, 2012, total expenditures exceeded total appropriations as follows:

Fund	Appropriations	Budgetary Expenditures	Variance
General Fund	\$ 74,037	\$ 78,581	\$ (4,544)
Road Maintenance (Dust) Levy	58,194	60,487	(2,293)
Fire Levy	21,686	23,006	(1,320)

Failure to limit expenditures to appropriated amounts can result in overspending and negative fund balances.

We recommend the Trustees limit expenditures to approved appropriation amounts.

Official's Response: The Township will take the necessary steps to correct the matter going forward.

FINDING NUMBER 2013-002

Noncompliance and Material Weakness

Ohio Admin. Code § 117-2-02(A) requires public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

During 2012, the Township failed to maintain support for \$200 in Miscellaneous Receipts in the Permanent Fund. Failure to support these amounts prevented determination of proper public purpose or proper posting and, since the amount is material to the Permanent Fund, resulted in a qualified opinion on the fund's receipts.

We recommend the Fiscal Officer monitor receipts and retain adequate supporting documentation for all receipts.

Official's Response: The Township will take the necessary steps to correct the matter going forward.

**CARTHAGE TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-003

Noncompliance and Material Weakness

Ohio Admin. Code § 117-2-02(A) provides that all local public offices maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. The Fiscal Officer posted certain revenue and expenditures transactions incorrectly.

For the period ending December 31, 2012, the following items were noted:

General Fund:

- Confirmable receipts misclassified resulting in a decrease in Property and Other Local Taxes of \$8,655, an increase in Intergovernmental of \$7,285, an increase in Other Disbursements of \$203, and a decrease in Other Financing Sources of \$618.
- Revenue was misclassified resulting in a decrease in Other Financing Sources of \$3,308 and an increase in Miscellaneous Receipts of \$3,308.
- Disbursements were misclassified resulting in an increase in General Government of \$1,712, an increase in Other Disbursements of \$1,889, and a decrease in Other Financing Uses of \$3,601.

Special Revenue Funds:

- Permissive Motor Vehicle License Tax Fund:
 - Confirmable receipts were not properly posted resulting in an increase in Intergovernmental of \$461.
 - Expenditures were misclassified resulting in a decrease in Other Financing Uses of \$17,089, an increase in Capital Outlay of \$7,500, and an increase in Public Works of \$9,589.
- Road and Bridge Fund:
 - Confirmable receipts were not properly posted resulting in a decrease in Property Taxes of \$5,444, an increase in Other Disbursements of \$9, and an increase in Intergovernmental of \$6,623.
 - Equity was not properly classified in accordance with GASB 54 resulting in an increase in Committed Fund Balance of \$35,322 and a decrease in Restricted Fund Balance of \$35,322.
- Road District Fund:
 - Confirmable receipts were not properly posted resulting in a decrease in Intergovernmental of \$20,840, an increase in Property Tax of \$20,735, and an increase in Other Disbursements of \$13.
- Fire Levy Fund:
 - Confirmable receipts were not properly posted resulting in a decrease in Property Taxes of \$3,188, an increase in Intergovernmental of \$3,161, and an increase in Other Disbursements of \$6.
- Motor Vehicle License Tax Fund:
 - Confirmable receipts were not properly posted resulting in an increase in Intergovernmental of \$539.
 - Beginning Balances did not agree to prior audited amounts resulting in a decrease in Fund Cash Balance, January 1 of \$39.
- Gasoline Tax Fund:
 - Confirmable receipts were misclassified resulting in a decrease in Intergovernmental of \$1,015 and an increase in Miscellaneous of \$1,015.
 - Beginning Balances did not agree to prior audited amounts resulting in a decrease in Fund Cash Balance, January 1 of \$843.

**CARTHAGE TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-003 (Continued)

Noncompliance and Material Weakness - Ohio Admin Code § 117-2-02(A) (Continued)

Permanent Fund:

- Equity was not properly classified in accordance with GASB 54 resulting in an increase in Nonspendable Fund Balance of \$1,600, an increase in Restricted Fund Balance of \$571, and a decrease in Assigned Fund Balance of \$2,171.

For the period ending December 31, 2013, the following items were noted:

General Fund:

- Confirmable receipts were not properly posted resulting in a decrease in Property and Other Local Taxes of \$6,132, an increase in Intergovernmental of \$7,094, an increase in Charges for Services of \$854, and a decrease in Other Financing Sources of \$1,816.
- Disbursements were improperly classified resulting in an increase in General Government of \$4,428 and a decrease in Human Services of \$4,428.
- The bank reconciliation contained reconciling items resulting in a decrease in General Government of \$150.
- Items posted to Other Financing Receipts/(Disbursements) were not properly classified resulting in a decrease in Other Financing Sources of \$964, a decrease in Other Financing Uses of \$2,085, an increase in Miscellaneous of \$964, and an increase in Other Disbursements of \$2,085.

Special Revenue Funds:

- Road and Bridge Fund:
 - Confirmable receipts were misclassified resulting in an increase in Property Taxes of \$1,517, a decrease in Other Financing Sources of \$1,651, and an increase in Intergovernmental of \$134.
 - Equity was not classified in accordance with GASB 54 resulting in an increase in Committed Fund Balance of \$40,163 and a decrease in Restricted Fund Balance of \$40,163.
 - Other Financing Receipts (Disbursements) were improperly classified resulting in a decrease in Other Financing Sources of \$1,652 and an increase in Miscellaneous of \$1,652.
- Road District Fund:
 - Confirmable receipts were misclassified resulting in an increase in Intergovernmental of \$4,940, a decrease in Property Tax of \$4,100, and a decrease in Miscellaneous of \$840.
- Fire Levy Fund:
 - Confirmable receipts were misclassified resulting in a decrease in Property Taxes of \$2,812, an increase in Intergovernmental of \$3,079, and a decrease in Other Financing Sources of \$267.
- Motor Vehicle License Tax Fund:
 - Confirmable receipts were not properly posted resulting in an increase in Intergovernmental of \$1,417.
- Gasoline Tax Fund:
 - Confirmable receipts were not properly posted resulting in an increase in Miscellaneous of \$369 and a decrease in Intergovernmental of \$1,786.
 - The bank reconciliation contained reconciling items resulting in a decrease in Intergovernmental of \$4,456.
- Cemetery Fund:
 - Confirmable receipts misclassified resulting in a decrease in Charges for Services of \$13,848, an increase in Intergovernmental of \$1,935, and an increase in Property Tax of \$11,913.

**CARTHAGE TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-003 (Continued)

Noncompliance and Material Weakness - Ohio Admin Code § 117-2-02(A) (Continued)

Permanent Funds:

- Equity was not properly classified in accordance with GASB 54 resulting in an increase in Nonspendable Fund Balance of \$1,600 and a decrease in Restricted Fund Balance of \$1,600.

The following represents the cumulative effect of the adjustments listed above on the fund cash balances as of December 31, 2013:

Fund	Unaudited 12/31/2013 Fund Balance	Net Increase/ (Decrease)	Audited 12/31/2013 Fund Balance
General Fund	\$ 14,508	\$ (1,698)	\$ 12,810
Motor Vehicle License Tax	16,113	1,917	18,030
Gasoline Tax	51,987	(6,716)	45,271
Road and Bridge	40,163	1,170	41,333
Road District	7,798	(119)	7,679
Fire Levy	1,640	(32)	1,608
Special Levy	1,763	0	1,763
Permissive Motor Vehicle License Tax	5,226	461	5,687
Permanent Fund	2,171	0	2,171
Total	\$ 141,369	\$ (5,017)	\$ 136,352

These misstatements were caused by a lack of management oversight. As a result, significant adjustments and reclassifications, with which the Township's management agrees, were made to the financial statements and ledgers, and are reflected in the accompanying financial statements.

We recommend the Fiscal Officer refer to Appendix A of the Township Handbook for proper classification and take additional care in posting transactions to the Township's ledgers in order to ensure the financial statements reflect the appropriate sources of the receipts and expenditures.

Official's Response: The Township will take the necessary steps to correct the matter going forward.

FINDING NUMBER 2013-004

Noncompliance and Material Weakness

Ohio Admin. Code § 117-2-02(C)(1) provides that all local public offices integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

**CARTHAGE TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-004 (Continued)

Noncompliance and Material Weakness (Continued)

At December 31, 2013, estimated resources as approved by the Budget Commission did not agree to the Township's ledgers for the following funds:

Fund	Estimated Resources per Certificate	Estimated Receipts per System	System Over/(Under) Certificate
General Fund	\$ 62,314	\$ 74,037	\$ 11,723
Motor Vehicle License Tax	16,689	33,749	17,060
Gasoline Tax	85,989	134,539	48,550
Road and Bridge	41,649	69,702	28,053
Road Maintenance	79,823	58,194	(21,629)
Fire Levy	20,849	21,686	837
Permissive Motor Vehicle License Tax	4,987	19,650	14,663
Permanent Fund	16,976	0	(16,976)

At December 31, 2013, appropriations as approved by Board of Trustees did not agree to the Township's ledgers for the following funds:

Fund	Appropriation Measure, as Adopted	Appropriations per System	System Over/(Under) Measure
General Fund	\$ 57,642	\$ 79,667	\$ 22,025
Road and Bridge	76,971	78,971	2,000
Road Maintenance	62,273	100,689	38,416
Fire Levy	22,285	23,285	1,000
Permanent Fund	12,492	20,765	8,273

At December 31, 2012, estimated resources as approved by the Budget Commission did not agree to the Township's ledgers for the following funds:

Fund	Estimated Resources per Certificate	Estimated Receipts per System	System Over/(Under) Certificate
General Fund	\$ 44,937	\$ 83,537	\$ 38,600
Gasoline Tax	88,341	137,648	49,307
Road & Bridge	40,851	210,175	169,324
Road Maint (Dust)	54,120	64,667	10,547
Fire Levy Fund	20,796	42,576	21,780
Permissive Motor Vehicle License Tax	5,807	19,650	13,843

**CARTHAGE TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-004 (Continued)

Noncompliance and Material Weakness - Ohio Admin. Code § 117-2-02(C)(1) (Continued)

At December 31, 2012, appropriations as approved by Board of Trustees did not agree to the Township's ledgers for the following funds:

Fund	Appropriation Measure, as Adopted	Appropriations per System	System Over/(Under) Measure
General Fund	\$ 74,037	\$ 117,243	\$ 43,206
Motor Vehicle License Tax	33,749	28,000	(5,749)
Gasoline Tax	134,539	125,000	(9,539)
Road and Bridge	69,702	134,000	64,298
Road Maintenance	58,194	129,405	71,211
Fire Levy Fund	21,686	24,462	2,776

Because the budgetary information posted to the accounting system differed from the amounts formally approved, the Board of Trustees lost some degree of control and was unable to effectively monitor and report its budget and actual status throughout the year.

We recommend the Fiscal Officer accurately post estimated receipts, as certified by the County Budget Commission, and appropriations, as approved by the Board of Trustees, to the accounting system to help ensure more useful comparisons of budget to actual activity and provide management with an accurate monitoring tool.

Official's Response: The Township will take the necessary steps to correct the matter going forward.

FINDING NUMBER 2013-005

Material Weakness

Management has a key role to play in ensuring the Township establishes and maintains effective internal controls. The small size of the Township's staff did not allow for an adequate segregation of duties as the Fiscal Officer performed all accounting functions, including receipting, depositing, disbursing, and reconciling Township monies. It is therefore important that the Board of Trustees monitor financial activity closely. When designing the public office's system of internal control and the specific control activities, management should consider the following:

- Ensure that all transactions are properly authorized in accordance with management's policies;
- Plan for adequate segregation of duties or compensating controls;
- Perform analytical procedures to determine the reasonableness of financial data including review of reports comparing budgeted to actual information.

During 2013 and 2012, the Board of Trustees did not consistently review and/or approve bank reconciliations or financial reports showing comparisons of budget to actual information. The Board documented review of reports showing actual to estimated revenues seven months out of 24 in the audit period. The Board documented review of reports showing actual disbursements to appropriation amounts for ten months out of 24 in the audit period.

**CARTHAGE TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-005 (Continued)

Material Weakness (Continued)

Further, no alternative process exists to identify unusual fluctuations between accounts or between fiscal years. The inconsistency of financial information provided to the Board for monthly review hampers its ability to effectively monitor the financial activity and position of the Township.

We recommend Board of Trustees become more consistent in its monitoring the financial activity of the Township. This includes the Board reviewing and accepting/approving the monthly financial information provided by the Fiscal Officer including comparisons of budget and actual information. The review of this information should be noted in the Board meeting minutes. The Board should review bank reconciliations ensure the validity of the computations and attest to their accuracy. Supervisory reviews should be evidenced by the initials of the reviewer and the date of the review.

Official's Response: The Township will take the necessary steps to correct the matter going forward.

**CARTHAGE TOWNSHIP
ATHENS COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	A material weakness for inaccurate posting of receipts and disbursements.	No	Repeated as Finding 2013-004.



Dave Yost • Auditor of State

CARTHAGE TOWNSHIP

ATHENS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 25, 2014**