



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CARTHAGE TOWNSHIP
ATHENS COUNTY**

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STATE OF OHIO
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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Trustees:

We have audited the accompanying financial statements of Carthage Township, Athens County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Carthage Township, Athens County, as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2002, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Board and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

June 12, 2002

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**CARTHAGE TOWNSHIP
ATHENS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
Cash Receipts:				
Local Taxes	\$22,103	\$40,083	\$0	\$62,186
Intergovernmental	35,244	75,626		110,870
Earnings on Investments	1,871	1,019		2,890
Other Revenue	478	271		749
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	59,696	116,999	0	176,695
	<hr/>	<hr/>	<hr/>	<hr/>
Cash Disbursements:				
Current:				
General Government	37,164			37,164
Public Safety		17,876		17,876
Public Works	5,000	102,973		107,973
Health	1,606			1,606
Debt Service:				
Redemption of Principal		16,243		16,243
Interest and Fiscal Charges		3,102		3,102
Capital Outlay		43,929		43,929
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	43,770	184,123	0	227,893
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	15,926	(67,124)	0	(51,198)
	<hr/>	<hr/>	<hr/>	<hr/>
Other Financing Receipts:				
Proceeds from Sale of Public Debt:				
Sale of Notes		43,929		43,929
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	0	43,929	0	43,929
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	15,926	(23,195)	0	(7,269)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	38,478	116,911	1,151	156,540
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$54,404</u>	<u>\$93,716</u>	<u>\$1,151</u>	<u>\$149,271</u>

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

**CARTHAGE TOWNSHIP
ATHENS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
Cash Receipts:				
Local Taxes	\$23,803	\$25,894	\$	\$49,697
Intergovernmental	26,168	72,111		98,279
Earnings on Investments	2,453	1,293		3,746
Other Revenue	63	16,196		16,259
	<hr/>	<hr/>		<hr/>
Total Cash Receipts	52,487	115,494	0	167,981
	<hr/>	<hr/>		<hr/>
Cash Disbursements:				
Current:				
General Government	35,121			35,121
Public Safety	8,500	6,117		14,617
Public Works		145,775		145,775
Health	7,105			7,105
Debt Service:				
Redemption of Principal		10,938		10,938
Interest and Fiscal Charges		2,240		2,240
	<hr/>	<hr/>		<hr/>
Total Cash Disbursements	50,726	165,070	0	215,796
	<hr/>	<hr/>		<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	1,761	(49,576)	0	(47,815)
	<hr/>	<hr/>		<hr/>
Other Financing Receipts:				
Proceeds from Sale of Public Debt:				
Sale of Notes		26,887		26,887
	<hr/>	<hr/>		<hr/>
Total Other Financing Receipts/(Disbursements)	0	26,887	0	26,887
	<hr/>	<hr/>		<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	1,761	(22,689)	0	(20,928)
	<hr/>	<hr/>		<hr/>
Fund Cash Balances, January 1	36,717	139,600	1,151	177,468
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$38,478	\$116,911	\$1,151	\$156,540
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

**CARTHAGE TOWNSHIP
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Carthage Township, Athens County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, road and bridge maintenance, cemetery maintenance, and fire protection services. The Township contracts with the Coolville Volunteer 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. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit are valued at cost.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

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

**CARTHAGE TOWNSHIP
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Fiduciary Funds (Trust Funds)

These funds are used to account for resources restricted by legally binding trust agreements. The Township had the following significant Fiduciary Fund:

Cemetery Bequest Fund – This fund is used to account for non-expendable trust monies received by the Township.

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 object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. EQUITY IN POOLED CASH

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

	<u>2001</u>	<u>2000</u>
Demand deposits	\$148,671	\$155,940
Certificates of deposit	600	600
Total deposits	<u>\$149,271</u>	<u>\$156,540</u>

**CARTHAGE TOWNSHIP
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2. EQUITY IN POOLED CASH (Continued)

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$26,794	\$59,696	\$32,902
Special Revenue	126,849	160,928	34,079
Total	\$153,643	\$220,624	\$66,981

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$65,273	\$43,770	\$21,503
Special Revenue	243,760	184,123	59,637
Fiduciary	551	0	551
Total	\$309,584	\$227,893	\$81,691

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$41,002	\$52,487	\$11,485
Special Revenue	122,354	142,381	20,027
Total	\$163,356	\$194,868	\$31,512

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$78,765	\$50,726	\$28,039
Special Revenue	255,081	165,070	90,011
Fiduciary	551	0	551
Total	\$334,397	\$215,796	\$118,601

The Township had expenditures exceeding appropriations, at the legal level of control, within the General Fund during 2000 and in the General and Road and Bridge Funds during 2001, contrary to Ohio Rev. Code Section 5705.41(B).

Prior certification of Township funds was not obtained for all expenditures made during 2000 or 2001, contrary to Ohio Rev. Code Section 5705.41(D).

The Township did not record intergovernmental funds to the proper fund, contrary to Ohio Rev. Code Section 5705.10.

**CARTHAGE TOWNSHIP
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by the Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, 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.

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

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

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Grader Note	\$36,711	3.80%
Dump Truck Note	21,997	4.75%
Back Hoe Note	43,929	5.69%
Total	<u>\$102,637</u>	

The Grader, Dump Truck, and Back Hoe Notes were all issued to finance the purchase of new equipment to be used for Township road maintenance. The notes are collateralized by the equipment and are being retired through various special revenue funds.

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

Year ending December 31:	Dump Truck			Totals
	Grader Note	Note	Back Hoe Note	
2002	\$13,178	\$6,167	\$10,341	\$29,686
2003	13,178	6,167	10,341	29,686
2004	13,178	6,167	10,341	29,686
2005	0	6,167	10,341	16,508
2006	0	0	10,341	10,341
Total	<u>\$39,534</u>	<u>\$24,668</u>	<u>\$51,705</u>	<u>\$115,907</u>

6. RETIREMENT SYSTEMS

The Township's officials and employee belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

**CARTHAGE TOWNSHIP
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

6. RETIREMENT SYSTEMS (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries through June 30, 2000. For the period July 1, 2000 through December 31, 2000, PERS temporarily reduced the employer's contribution rate to 8.13% of participant's gross salaries. The Township has paid all contributions required through December 31, 2001.

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions

The Township also provides health insurance and dental and vision coverage to elected officials through a private carrier.

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OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Trustees:

We have audited the accompanying financial statements of Carthage Township, Athens County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 12, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2001-40705-002 through 2001-40705-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 12, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as item 2001-40705-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition that is disclosed above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 12, 2002.

Carthage Township
Athens County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

June 12, 2002

**CARTHAGE TOWNSHIP
ATHENS COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-40705-001

Reportable Condition - Posting of Receipts and Disbursements

The Township Clerk did not consistently post receipts and disbursements to the proper receipt and appropriation line accounts, nor to the proper fund.

As a result, there were numerous adjustments and reclassifications to the financial statements presented by the Township.

We recommend the Township Clerk follow the accounting codes prescribed in the Uniform Accounting Network Accounting Manual for Townships, Appendix C. These adjustments and reclassifications have been made to the financial statements.

FINDING NUMBER 2001-40705-002

Noncompliance Citations

Ohio Rev. Code Section 5705.41 (B) states, in part, that no subdivision or taxing unit is to expend money unless it has been appropriated.

The Township has established their legal level of control at the object level. We noted the following funds/accounts which had actual expenditures exceeding appropriations at the legal level of control at December 31:

2001

<u>Fund</u>	<u>Appropriations</u>	<u>Disbursements</u>	<u>Variance</u>
<u>General</u>			
Salary - Trustees	0	1,082	(1,082)
<u>Road & Bridge</u>			
Capital Outlay	0	43,929	(43,929)

2000

<u>General</u>			
Salary-Trustees	0	1,050	(1,050)
Repairs and Maintenance	0	300	(300)

During 2001, the Township did not record the \$43,929 proceeds of a note to purchase a new back hoe. Neither the Township's financial nor budgetary statements reflected the receipt of note proceeds nor the corresponding disbursement for the purchase of the back hoe. Adjustments were made to the Township's audited financial statements in order to reflect this activity. These adjustments resulted in the Township's expenditures exceeding appropriations in the Road and Bridge Fund as shown above.

**CARTHAGE TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2001-40705-002 (Continued)

We recommend the Township Clerk review the appropriation ledger periodically to ensure that expenditures do not exceed appropriations at the legal level of control. Further, we recommend the Township file an amended appropriation measure when additional funding is received in which the Township is planning to expend the funds.

FINDING NUMBER 2001-40705-003

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

- A. Then and Now Certificate - This exception provides that, if the fiscal officer can certify that both at the time the contract or order was made and at the time that she is completing her certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

- B. Amounts of less than \$1,000 may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Twenty-seven percent of the transactions we tested did not include prior certification of the Township Clerk. In addition, there was no evidence of a "Then & Now" certificate being used by the Township Clerk.

We recommend the Township obtain the Township Clerk's prior certification for all disbursements.

FINDING NUMBER 2001-40705-004

Noncompliance Citation

Ohio Rev. Code § 5705.10 states, in part, that all revenue derived from a special levy is to be credited to a special fund for the purpose for which the levy was made. In addition, all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.

During 2001, manufactured home tax revenues from the County and the homestead/rollback receipts from the State were recorded in the General Fund instead of the Road and Bridge Fund and the Fire Fund, as allocated according to the County Auditor tax apportionment sheets.

**CARTHAGE TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>

FINDING NUMBER 2001-40705-004 (Continued)

We recommend the Township record monies within the specific funds for which the particular fund has been established. The financial statements and the Township's accounting records have been adjusted to reflect the homestead/rollback receipts in the proper fund.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
JULY 30, 2002**