

***ETNA TOWNSHIP***

**LICKING COUNTY, OHIO**

**AUDIT REPORT**

**For the Years Ended December 31, 2006 & 2005**

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Etna Township  
533 Ballman Road  
Reynoldsburg, Ohio 43068

We have reviewed the *Report of Independent Accountants* of Etna Township, Licking County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Etna Township is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

October 15, 2007

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**ETNA TOWNSHIP**  
**LICKING COUNTY, OHIO**  
**Audit Report**  
**For the Years ended December 31, 2006 & 2005**

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Etna Township  
Licking County  
533 Ballman Road  
Reynoldsburg, Ohio 43018

To the Board of Trustees:

We have audited the accompanying financial statements of Etna Township (Township), Licking County, Ohio as and for the years ended December 31, 2006 & 2005. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 & 2005. Instead of the combined funds the accompanying financial statements present for 2006 & 2005, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2006 & 2005. While the Township does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since the Township does not use GAAP to measure its financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 & 2005, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2006 & 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Etna Township, Licking County as of December 31, 2006 & 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2006 & 2005. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2007, 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, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

***Charles E. Harris & Associates, Inc.***  
September 14, 2007

ETNA TOWNSHIP  
LICKING COUNTY, OHIO  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
For the Year Ended December 31, 2006

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$ 307,651	\$ 217,970	-	-	\$ 525,621
Licenses, Permits and Fees	63,405	-	-	-	63,405
Intergovernmental	258,385	149,927	-	\$ 83,236	491,548
Special Assessments	-	2,954	-	-	2,954
Earnings on Investments	54,206	3,736	-	-	57,942
Miscellaneous	13,232	1,177	-	-	14,409
<b>Total Cash Receipts</b>	<b>696,879</b>	<b>375,764</b>	<b>-</b>	<b>83,236</b>	<b>1,155,879</b>
<b>Cash Disbursements:</b>					
General Government	333,719	-	-	-	333,719
Public Works	13,386	439,334	-	-	452,720
Health	29,082	-	-	-	29,082
Conservation/Recreation	3,950	-	-	-	3,950
Capital Outlay	8,435	6,915	-	139,511	154,861
Debt Service:					
Principal	-	-	11,798	-	11,798
Interest	-	-	1,717	-	1,717
<b>Total Cash Disbursements</b>	<b>388,572</b>	<b>446,249</b>	<b>13,515</b>	<b>139,511</b>	<b>987,847</b>
<b>Cash Receipts Over/(Under) Cash Disbursements</b>	<b>308,307</b>	<b>(70,485)</b>	<b>(13,515)</b>	<b>(56,275)</b>	<b>168,032</b>
<b>Other Financing Sources/(Uses):</b>					
Sale of Bonds	-	-	-	56,275	56,275
Transfers-in	-	200,000	-	-	200,000
Transfers-out	(200,000)	(13,515)	13,515	-	(200,000)
<b>Total Other Financing Sources/(Uses)</b>	<b>(200,000)</b>	<b>186,485</b>	<b>13,515</b>	<b>56,275</b>	<b>56,275</b>
<b>Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses</b>	<b>108,307</b>	<b>116,000</b>	<b>-</b>	<b>-</b>	<b>224,307</b>
<b>Fund Balance, January 1, 2006</b>	<b>804,963</b>	<b>201,628</b>	<b>-</b>	<b>-</b>	<b>1,006,591</b>
<b>Fund Balance, December 31, 2006</b>	<b>\$ 913,270</b>	<b>\$ 317,628</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,230,898</b>

See accompanying Notes to the Financial Statements.



**ETNA TOWNSHIP  
LICKING COUNTY, OHIO  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
For the Year Ended December 31, 2005**

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 268,667	\$ 180,857	-	\$ 449,524
Licenses, Permits and Fees	72,970	-	-	72,970
Intergovernmental	110,587	125,005	\$ 228,775	464,367
Special Assessments	-	3,346	-	3,346
Earnings on Investments	32,843	1,878	-	34,721
Miscellaneous	35,520	1,915	-	37,435
<b>Total Cash Receipts</b>	<b>520,587</b>	<b>313,001</b>	<b>228,775</b>	<b>1,062,363</b>
<b>Cash Disbursements:</b>				
General Government	292,463	-	-	292,463
Public Works	12,767	539,972	-	552,739
Health	25,176	-	-	25,176
Conservation/Recreation	3,706	-	-	3,706
Capital Outlay	16,333	30,681	228,775	275,789
<b>Total Cash Disbursements</b>	<b>350,445</b>	<b>570,653</b>	<b>228,775</b>	<b>1,149,873</b>
<b>Cash Receipts Over/(Under) Cash Disbursements</b>	<b>170,142</b>	<b>(257,652)</b>	<b>-</b>	<b>(87,510)</b>
<b>Other Financing Sources/(Uses):</b>				
Transfers-in	-	193,622	-	193,622
Transfers-out	(193,622)	-	-	(193,622)
Sale of Fixed Assets	3,000	10,000	-	13,000
<b>Total Other Financing Sources/(Uses)</b>	<b>(190,622)</b>	<b>203,622</b>	<b>-</b>	<b>13,000</b>
<b>Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses</b>	<b>(20,480)</b>	<b>(54,030)</b>	<b>-</b>	<b>(74,510)</b>
<b>Fund Balance, January 1, 2005</b>	<b>825,443</b>	<b>255,658</b>	<b>-</b>	<b>1,081,101</b>
<b>Fund Balance, December 31, 2005</b>	<b>\$ 804,963</b>	<b>\$ 201,628</b>	<b>\$ -</b>	<b>\$ 1,006,591</b>
<b>Reserve For Encumbrances, December 31</b>	<b>\$ 10,320</b>	<b>\$ 10,454</b>	<b>\$ -</b>	<b>\$ 20,774</b>

See accompanying Notes to the Financial Statements.

ETNA TOWNSHIP  
LICKING COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2006 & 2005

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **DESCRIPTION OF THE ENTITY**

Etna Township, (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 road and bridge maintenance, cemetery maintenance, fire protection and emergency medical 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 by the Auditor of State.

C. **CASH AND INVESTMENTS**

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

The Township values certificates of deposits 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 reports all financial resources except those required to be accounted for in another fund.

2. **Special Revenue Funds**

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

ETNA TOWNSHIP  
LICKING COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2006 & 2005

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

D. **FUND ACCOUNTING** - (continued)

2. **Special Revenue Funds** – (continued)

*Gasoline Tax Fund* – This fund receives gasoline tax monies from State of Ohio for construction and repair of Township streets.

*Road & Bridge Fund* – This fund receives property tax money levied for the funding of the repair of the Township's roads.

3. **Debt Service Fund**

This fund is used to accumulate resources for the payment of bond and note indebtedness.

4. **Capital Projects Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Projects funds:

*Misc. Capital Projects* – This fund receives grant monies from various sources for different projects around the township.

*Ohio Public Works Commission* – This project receives OPWC monies to fund the Refugee Road Resurfacing Project.

E. **BUDGETARY PROCESS**

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

1. **Appropriations**

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

2. **Estimated Resources**

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

ETNA TOWNSHIP  
LICKING COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2006 & 2005

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

3. **Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried forward to the subsequent year.

F. **PROPERTY, PLANT AND EQUIPMENT**

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

G. **ACCUMULATED LEAVE**

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

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

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

	2006		2005
Demand Deposits	\$ 36,592	\$	19,691
STAR Ohio	1,194,306	\$	986,900
Total Deposits	\$ 1,230,898	\$	1,006,591

*Deposits:* Deposits are either (1) insured by the Federal Depository Insurance Corporation; (2) collateralized by securities specifically pledged by the financial institution to the Township or (3) collateralized by the financial institution's public entity deposit pool.

3. **BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2006 & 2005 is as follows:

2006 Budgeted vs. Actual Receipts			
	Budgeted	Actual	
<u>Fund Type</u>	Receipts	Receipts	Variance
General	\$ 470,431	\$ 696,879	\$ 226,448
Special Revenue	542,022	575,764	33,742
Debt Service	13,515	13,515	0
Capital Projects	156,635	139,511	(17,124)
Total	\$ 1,168,798	\$ 1,425,669	\$ 243,066

**ETNA TOWNSHIP  
LICKING COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2006 & 2005**

**3. BUDGETARY ACTIVITY - (continued)**

**2006 Budgeted vs. Actual Budgetary Basis Expenditures**

	Total Appropriations	Total Expenditures	Variance
<b>Fund Type</b>			
General	\$ 1,206,193	\$ 588,572	\$ 617,621
Special Revenue	644,155	459,764	184,391
Debt Service	0	13,515	(13,515)
Capital Projects	156,635	139,511	17,124
<b>Total</b>	<b>\$ 2,006,983</b>	<b>\$ 1,201,362</b>	<b>\$ 805,621</b>

**2005 Budgeted vs. Actual Receipts**

	Budgeted Receipts	Actual Receipts	Variance
<b>Fund Type</b>			
General	\$ 456,020	\$ 523,587	\$ 67,567
Special Revenue	518,888	516,623	191,357
Capital Projects	229,730	228,775	(955)
<b>Total</b>	<b>\$ 1,204,638</b>	<b>\$ 1,268,985</b>	<b>\$ 257,969</b>

**2005 Budgeted vs. Actual Budgetary Basis Expenditures**

	Total Appropriations	Total Expenditures	Variance
<b>Fund Type</b>			
General	\$ 1,080,409	\$ 554,387	\$ 526,022
Special Revenue	655,952	581,107	74,845
Capital Projects	229,730	228,775	955
<b>Total</b>	<b>\$ 1,966,091</b>	<b>\$ 1,364,269</b>	<b>\$ 601,822</b>

The Debt Service expenditure in 2006 was an advance. Advances are not required to be budgeted.

**4. PROPERTY TAXES**

Real property becomes a lien on January 1 preceding the October 1 date for which rates are adopted by 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 payments, the first half is due December 31. The second half payment is due the following June 20.

**ETNA TOWNSHIP  
LICKING COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2006 & 2005**

**4. PROPERTY TAXES – (continued)**

Public utilities are also taxed on personal and real property located within the Township. Tangible personal property tax is assessed on the property owners, who must file a list of such property to the County by each April 30.

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

**5. RETIREMENT SYSTEM**

The Township belongs to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost sharing, multiple-employer plan. This plan provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2005, OPERS members contributed 8.5% of their wages. The Township contributed an amount equal to 13.55% of participants' gross salaries during the year. For 2006, OPERS members contributed 9% of their wages. The Township contributed an amount equal to 13.70% of participants' gross salaries during the year. The Township has paid all contributions required through December 31, 2006 and 2005.

**7. DEBT**

Debt outstanding at December 31, 2006 was as follows:

Description:	Principal	Interest Rate
Tractor Loan	\$44,477	5.1%

In 2006, the Township issued \$56,275 in notes to Park National Bank for the purchase of a tractor and loader. These notes are collateralized by the Township's taxing authority.

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

Year Ended	Tractor Loan
2007	\$ 20,272
2008	20,272
2009	6,730
Total	\$ 47,274

**ETNA TOWNSHIP  
LICKING COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2006 & 2005**

**8. RISK MANAGEMENT**

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**Casualty Coverage** - OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 for claims that occurred prior to January 1, 2006 and \$3,000,000 to \$13,000,000 for claims that occurring after January 1, 2006 with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to an annual aggregate limit of \$10,000,000.

**Property Coverage** - Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop-loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 & 2005 was \$1,901,127 and \$1,712,113, respectively.

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

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

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

**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, 2006 and 2005:

**ETNA TOWNSHIP**  
**LICKING COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2006 & 2005**

**8. RISK MANAGEMENT – (continued)**

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$ 32,031,312	\$ 30,485,638
Liabilities	(11,443,952)	(12,344,576)
Retained Earnings	\$ 20,587,360	\$ 18,141,062
<u>Property Coverage</u>		
Assets	\$ 10,010,963	\$ 9,177,796
Liabilities	(676,709)	(1,406,031)
Retained Earnings	\$ 9,334,254	\$ 7,771,765

The casualty coverage assets and retained earnings above include approximately \$12.1 million and \$11.6 million of unpaid claims to be billed to approximately 958 member townships in the future, as of December 31, 2006 and 2005, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment.

**9. CONTINGENT LIABILITIES**

Management believes there are no pending claims or lawsuits.

**10. TRANSFERS**

In 2006, the Township transferred money from the General Fund to various funds to subsidize operations and from the Special Revenue-Road and Bridge Fund to the Debt Service Fund to make debt payments. These transfers were made in accordance with Ohio Revised Code requirements.



*Charles E. Harris & Associates, Inc.*  
*Certified Public Accountants*

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Etna Township  
Licking County  
533 Ballman Road  
Reynoldsburg, Ohio 43018

To the Board of Trustees:

We have audited the financial statements of Etna Township, Licking County, Ohio (Township) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated September 14, 2007, wherein we noted the Township followed accounting practices prescribed or permitted by the Auditor of State of Ohio. 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.

**Internal Controls Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider the deficiency described in the accompanying schedule of findings, item 2006-Etna-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

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

#### Compliance and Other Matters

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, grant agreements and other matters, 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2006-Etna-01.

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

We noted certain matters that we have reported to management of the Township in a separate letter dated September 14, 2007.

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.

***Charles E. Harris & Associates, Inc.***

September 14, 2007

**ETNA TOWNSHIP  
LICKING COUNTY, OHIO  
SCHEDULE OF FINDINGS  
December 31, 2006 & 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-Etna-01 – Noncompliance and Significant Deficiency**

Ohio Admin. Code Section 117-2-02(A) provides that all local public offices should 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 and finance-related legal and contractual requirements and prepare financial statements.

The Ohio Township Handbook (revised December 2006) provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example). Using these classifications and the aforementioned accounting records will provide the Township with information required to monitor compliance and with the budget and prepare annual reports in the format required by the Auditor of State.

Also, Ohio Revised Code sections 5705.14, .15, and .16 set out guidelines for the transfer of funds. Auditor of State Bulletin 97-003 sets out the guidelines for the advance of funds.

During 2006, the Township posted its debt service payments under the Capital Outlay account instead of the Debt Service account. Also, the Township made transfers from the Special Revenue-Road and Bridge Fund to the Debt Service Fund, but classified these as advances. Adjustments to the financial report were made to reclassify loan payments as principal and interest payments under the Debt Service account and to move the advances to transfers.

We recommend the Township follow the Ohio Township Handbook and the Ohio Revised Code and appropriate Auditor of State Bulletins in the proper posting of debt service payments and transfers/advances.

The Fiscal Officer agrees and has made the adjustments in the Township's UAN accounting system.

### **SCHEDULE OF PRIOR AUDIT FINDINGS**

The prior report, as of December 31, 2003 and 2004 reported no material citations or recommendations.



**Mary Taylor, CPA**  
Auditor of State

**ETNA TOWNSHIP**

**LICKING COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 8, 2007**