



Dave Yost • Auditor of State



ETNA TOWNSHIP  
LICKING COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2010.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009.....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	15
Schedule of Findings .....	17
Schedule of Prior Audit Findings .....	20

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# Dave Yost • Auditor of State

Etna Township  
Licking County  
81 Liberty Street  
P.O. Box 188  
Etna, OH 43018-0188

To the Board of Trustees:

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style.

**Dave Yost**  
Auditor of State

June 23, 2011

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Etna Township  
Licking County  
81 Liberty Street  
P.O. Box 188  
Etna, OH 43018-0188

To the Board of Trustees:

We have audited the accompanying financial statements of Etna Township, Licking County, Ohio (the Township) as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 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, 2010 and 2009, 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, Ohio, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2011, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Dave Yost**  
Auditor of State

June 23, 2011



**ETNA TOWNSHIP  
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 323,519	\$ 225,937	\$ -	\$ 549,456
Licenses, Permits, and Fees	209,788	-	-	209,788
Intergovernmental	40,451	166,531	-	206,982
Special Assessments	-	1,548	-	1,548
Earnings on Investments	1,741	80	-	1,821
Miscellaneous	2,504	129,349	-	131,853
	<u>578,003</u>	<u>523,445</u>	<u>-</u>	<u>1,101,448</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
General Government	332,369	-	-	332,369
Public Works	36,878	366,422	-	403,300
Health	28,404	-	-	28,404
Conservation - Recreation	5,079	-	-	5,079
Capital Outlay	25,390	130,616	-	156,006
Debt Service:				
Redemption of Principal	-	-	3,117	3,117
Interest and Other Fiscal Charges	-	-	27	27
	<u>428,120</u>	<u>497,038</u>	<u>3,144</u>	<u>928,302</u>
<b>Total Cash Disbursements</b>				
Total Receipts Over/(Under) Disbursements	149,883	26,407	(3,144)	173,146
Fund Cash Balances, January 1	<u>717,093</u>	<u>270,165</u>	<u>10,611</u>	<u>997,869</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 866,976</b></u>	<u><b>\$ 296,572</b></u>	<u><b>\$ 7,467</b></u>	<u><b>\$ 1,171,015</b></u>
Reserve for Encumbrances, December 31	<u>\$ 1,177</u>	<u>\$ 1,198</u>	<u>\$ -</u>	<u>\$ 2,375</u>

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

**ETNA TOWNSHIP  
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$ 346,680	\$ 223,528	\$ 19,600	\$ -	\$ 589,808
Licenses, Permits, and Fees	92,488	-	-	-	92,488
Intergovernmental	120,016	151,163	-	81,515	352,694
Special Assessments	-	2,950	-	-	2,950
Earnings on Investments	3,468	483	-	-	3,951
Miscellaneous	969	3,050	-	-	4,019
	<u>563,621</u>	<u>381,174</u>	<u>19,600</u>	<u>81,515</u>	<u>1,045,910</u>
<b>Total Cash Receipts</b>					
<b>Cash Disbursements:</b>					
Current:					
General Government	304,680	-	-	-	304,680
Public Works	43,982	293,396	-	81,515	418,893
Health	33,433	-	-	-	33,433
Conservation - Recreation	6,614	-	-	-	6,614
Capital Outlay	357,291	13,391	-	-	370,682
Debt Service:					
Redemption of Principal	-	-	18,769	-	18,769
Interest and Other Fiscal Charges	-	-	573	-	573
	<u>746,000</u>	<u>306,787</u>	<u>19,342</u>	<u>81,515</u>	<u>1,153,644</u>
<b>Total Cash Disbursements</b>					
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(182,379)</u>	<u>74,387</u>	<u>258</u>	<u>-</u>	<u>(107,734)</u>
<b>Other Financing Receipts / (Disbursements):</b>					
Transfers-In	-	-	8,500	-	8,500
Transfers-Out	(8,500)	-	-	-	(8,500)
	<u>(8,500)</u>	<u>-</u>	<u>8,500</u>	<u>-</u>	<u>-</u>
<b>Total Other Financing Receipts / (Disbursements)</b>					
<b>Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(190,879)</u>	<u>74,387</u>	<u>8,758</u>	<u>-</u>	<u>(107,734)</u>
<b>Fund Cash Balances, January 1</b>	<u>907,972</u>	<u>195,778</u>	<u>1,853</u>		<u>1,105,603</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$ 717,093</u></u>	<u><u>\$ 270,165</u></u>	<u><u>\$ 10,611</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 997,869</u></u>

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

**ETNA TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**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 Etna Township, Licking 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. The Township contracts with West Licking Joint Fire District for fire protection and emergency medical services.

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

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 and Investments**

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

The Township values certificates of deposit at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

**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 proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes.

**ETNA TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

The Township had the following significant Special Revenue Funds:

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

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

**3. Debt Service Fund**

This fund accounts for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service fund.

Miscellaneous Debt Service – This fund receives tax monies for the payments of the notes issued for a tractor and truck.

**4. Capital Project Fund**

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project fund.

Issue II Fund - The Township received a grant from the State of Ohio for a road improvement 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 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 also approve estimated resources.

**ETNA TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**E. Budgetary Process (Continued)**

**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 2010 and 2009 budgetary activity appears in Note 3.

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

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

**G. Accumulated Leave**

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

**2. Equity in Pooled Deposits and Investments**

The Township maintains a deposit and investments 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:

	2010	2009
Demand deposits	\$466,392	\$185,293
Certificates of deposit	250,000	0
Total deposits	716,392	185,293
STAR Ohio	454,623	812,576
Total investments	454,623	812,576
Total deposits and investments	\$1,171,015	\$997,869

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

**Investments:** Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

**ETNA TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$578,003	\$578,003
Special Revenue	0	523,445	523,445
Total	\$0	\$1,101,448	\$1,101,448

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$429,297	(\$429,297)
Special Revenue	0	498,236	(498,236)
Debt Service	0	3,114	(3,114)
Total	\$0	\$930,647	(\$930,647)

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 452,245	\$563,621	\$111,376
Special Revenue	393,198	381,174	(12,024)
Debt Service	37,900	28,100	(9,800)
Capital Projects	81,515	81,515	0
Total	\$964,858	\$1,054,410	\$89,552

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,181,698	\$754,500	\$427,198
Special Revenue	460,325	306,787	153,538
Debt Service	21,000	19,342	1,658
Capital Projects	81,515	81,515	0
Total	\$1,744,538	\$1,162,144	\$582,394

Contrary to Ohio law, the Township did not properly certify the total amount of resources available for appropriations and therefore the appropriation measure approved by the Board was not valid for 2010.

**ETNA TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(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.

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. Retirement Systems**

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 2010 and 2009, OPERS members contributed 10% respectively, of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2010.

**6. Risk Management**

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**ETNA TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**6. Risk Management (Continued)**

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2009, OTARMA retained \$350,000 for casualty claims and \$150,000 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, 2009 and 2008 (the latest information available)

	<u>2009</u>	<u>2008</u>
Assets	\$38,982,088	\$40,737,740
Liabilities	<u>(12,880,766)</u>	<u>(12,981,818)</u>
Net Assets	<u>\$26,101,322</u>	<u>\$27,755,922</u>

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$12.0 and \$12.1 million of estimated incurred claims payable. The assets above also include approximately \$11.5 and \$10.9 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Township's share of these unpaid claims collectible in future years is approximately \$16,294.

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.

<u>Contributions to OTARMA</u>	
<u>2010</u>	<u>2009</u>
\$15,228	\$13,875



**ETNA TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**6. 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.

**7. Debt**

The Township had no outstanding debt at December 31, 2010.

**8. Contingent Liabilities**

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

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# Dave Yost • Auditor of State

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

Etna Township  
Licking County  
81 Liberty Street  
P.O. Box 188  
Etna, OH 43018-0188

To the Board of Trustees:

We have audited the financial statements of Etna Township, Licking County, Ohio, (the Township) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated June 23, 2011 wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. 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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-01 described in the accompanying schedule of findings to be a material weakness.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-02.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 23, 2011.

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

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



**Dave Yost**  
Auditor of State

June 23, 2011

**ETNA TOWNSHIP  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009**

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

**FINDING NUMBER 2010-01**

**Material Weakness**

**Financial Statement Adjustments**

A monitoring system should be in place to prevent or detect material misstatements for the accurate presentation of the Township's financial statements.

The Fiscal Officer did not always accurately post receipts and disbursements to the Township's accounting system.

The following posting errors were noted for the year ended December 31, 2010:

- Property and local taxes was overstated \$105,644 in the General fund and \$90,587 in the Special Revenue fund, and intergovernmental receipts were understated \$90,587 in the General fund and \$30,237 in the Special Revenue fund.
- Fund balance was overstated \$15,057 in the General fund and understated \$15,057 in the Special Revenue fund due to the misposting of homestead and rollback revenue.
- Principal retirement disbursements was understated and capital outlay disbursements was overstated \$3,117 in the Debt Service fund.

The following posting errors were noted for the year ended December 31, 2009:

- General government disbursements was overstated and transfers-out was understated \$8,500 in the General fund.
- Other debt proceeds was overstated \$28,100, property and local taxes was understated \$19,600, and transfers-in was understated \$8,500 in the Debt Service fund.
- Principal retirement disbursements was understated and capital outlay disbursements was overstated \$18,769 in the Debt Service fund.
- Intergovernmental receipts was understated and public works disbursements was understated \$81,515 in the Capital Projects fund due to an Ohio Public Works Commission (OPWC) project not being recorded.

Lack or failure of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

We recommend the Township develop policies and procedures to enhance its controls over recording of financial transactions and financial reporting to help ensure the information accurately reflects the activity of the Township and thereby increasing the reliability of the financial data throughout the year.

The Township's financial statements and accounting records have been adjusted to properly reflect the corrections to the posting errors above.

**Officials' Response:**

The Fiscal Officer will classify future transactions in accordance with Audit findings and UAN manual.

ETNA TOWNSHIP  
LICKING COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009  
(Continued)

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

FINDING NUMBER 2010-02

**Noncompliance**

**Budgetary Noncompliance**

**Ohio Rev. Code Section 5705.36(A)(1)** provides in part that on or about the first day of each fiscal year, the Fiscal Officer of each subdivision and other taxing unit shall certify to the County Auditor the total amount from all sources available for expenditure from each fund set up in the tax budget. This certified amount shall include any unencumbered balances that existed at the end of the preceding year.

The Township did not certify to the County Auditor the total amount from all sources available for expenditure during 2010. By not certifying these amounts to the County Auditor, and subsequently obtaining an amended Certificate of Estimated Resources from the County, the Township could base appropriations on outdated estimated which could result in negative fund balances.

**Ohio Rev. Code Section 5705.39** provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The Township Board of Trustees approved a temporary and permanent appropriation measure, however, did not certify to the County Auditor the total amount from all sources available for expenditure during 2010. As a result, no appropriation measures were effective for 2010.

**Ohio Rev. Code Section 5705.40** states that any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation and that no appropriation for any purpose shall be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations certified from or against the appropriation.

The Township did not submit appropriation modifications to the County Budget Commission during 2010.

**Ohio Rev. Code Section 5705.41(B)** prohibits a subdivision from making an expenditure unless it has been properly appropriated.

Because the Township did not pass a valid appropriation measure in 2010, expenditures exceeded appropriations in all funds.

**ETNA TOWNSHIP  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b></p>
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**FINDING NUMBER 2010-02 (Continued)**

**Noncompliance (Continued)**

We recommend the Township's management ensure that all budgetary documents are properly approved and filed with the County Auditor. Failure to monitor effective budgetary amounts as compared to actual receipts and expenditures can result in overspending and negative fund balances. The management of the Township should monitor the Township's budgetary receipts and expenditures by having the Fiscal Officer provide budgetary reports at least quarterly to be reviewed and approved by the Board of Trustees. We recommend the Township refer to Ohio Rev. Code Section 5705.39, which limits appropriations to the total estimated revenue available for expenditures, when establishing their appropriation measures. The Township should also refer to the Ohio Compliance Supplement and Township Officer's Handbook for guidance on the legal budgetary process.

**Officials' Response:**

Noncompliance was a result of a transition in Fiscal Officer and filing of certificate of estimated resources was overlooked. Budgetary documents have been properly approved and filed for 2011.

**ETNA TOWNSHIP  
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	Approved Budgetary Amounts in the Accounting System	No	Not Corrected; reissued as 2010-002
2008-002	Financial Statement Presentation	No	Not Corrected; reissued as 2010-001
2008-003	Appropriations Exceeding Estimated Resources	No	Not Corrected; reissued as 2010-002





# Dave Yost • 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  
JULY 21, 2011**