



Dave Yost • Auditor of State

**AUGUSTA TOWNSHIP
CARROLL COUNTY**

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Dave Yost • Auditor of State

Augusta Township
Carroll County
P. O. Box 3
Carrollton, Ohio 44615

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 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. 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".

Dave Yost
Auditor of State

April 12, 2013

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Augusta Township
Carroll County
P. O. Box 3
Carrollton, Ohio 44615

To the Board of Trustees:

We have audited the accompanying financial statements of the Augusta Township, Carroll County, (the Township) as of and for the years ended December 31, 2011 and 2010. 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 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.

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, 2011 and 2010 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, 2011 and 2010, 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 as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of Augusta Township, Carroll County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 Augusta Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2013, 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

April 12, 2013

**AUGUSTA TOWNSHIP
CARROLL COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$42,314	\$50,727		\$93,041
Intergovernmental	13,514	114,429		127,943
Special Assessments		1,515		1,515
Earnings on Investments			\$6	6
Miscellaneous	20			20
<i>Total Cash Receipts</i>	<u>55,848</u>	<u>166,671</u>	<u>6</u>	<u>222,525</u>
Cash Disbursements				
Current:				
General Government	74,366			74,366
Public Safety		42,581		42,581
Public Works		136,790		136,790
Capital Outlay		10,800		10,800
<i>Total Cash Disbursements</i>	<u>74,366</u>	<u>190,171</u>		<u>264,537</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(18,518)</u>	<u>(23,500)</u>	<u>6</u>	<u>(42,012)</u>
Other Financing Receipts (Disbursements)				
Other Financing Sources	12,611	1,118		13,729
<i>Total Other Financing Receipts (Disbursements)</i>	<u>12,611</u>	<u>1,118</u>		<u>13,729</u>
<i>Net Change in Fund Cash Balances</i>	<u>(5,907)</u>	<u>(22,382)</u>	<u>6</u>	<u>(28,283)</u>
<i>Fund Cash Balances, January 1</i>	<u>40,111</u>	<u>53,311</u>	<u>7,191</u>	<u>100,613</u>
Fund Cash Balances, December 31				
Restricted		30,929	7,197	38,126
Unassigned (Deficit)	34,204			34,204
<i>Fund Cash Balances, December 31</i>	<u>\$34,204</u>	<u>\$30,929</u>	<u>\$7,197</u>	<u>\$72,330</u>

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

AUGUSTA TOWNSHIP
CARROLL 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**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$41,892	\$51,964		\$93,856
Intergovernmental	39,769	118,562		158,331
Special Assessments		1,915		1,915
Earnings on Investments			\$6	6
Miscellaneous	70	100		170
<i>Total Cash Receipts</i>	<u>81,731</u>	<u>172,541</u>	<u>6</u>	<u>254,278</u>
Cash Disbursements				
Current:				
General Government	44,624			44,624
Public Safety		43,026		43,026
Public Works		121,453		121,453
Capital Outlay		12,571		12,571
<i>Total Cash Disbursements</i>	<u>44,624</u>	<u>177,050</u>		<u>221,674</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>37,107</u>	<u>(4,509)</u>	<u>6</u>	<u>32,604</u>
Other Financing Receipts (Disbursements)				
Other Financing Sources	996			996
<i>Total Other Financing Receipts (Disbursements)</i>	<u>996</u>			<u>996</u>
<i>Net Change in Fund Cash Balances</i>	38,103	(4,509)	6	33,600
<i>Fund Cash Balances, January 1</i>	<u>2,008</u>	<u>57,820</u>	<u>\$7,185</u>	<u>67,013</u>
<i>Fund Cash Balances, December 31</i>	<u>\$40,111</u>	<u>\$53,311</u>	<u>\$7,191</u>	<u>\$100,613</u>
Reserve for Encumbrances, December 31	<u>\$454</u>	<u>\$1,388</u>		<u>\$1,842</u>

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

**AUGUSTA TOWNSHIP
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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 Augusta Township, Carroll County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, and general government services. The Township contracts with the Augusta and Malvern Volunteer Fire Departments to provide fire services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 6 to the financial statements provides additional information for this entity. This organization is:

Ohio Township Association Risk Management Authority (OTARMA)

OTARMA, a risk-sharing pool, provides property and casualty coverage to Ohio Townships.

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 Certificate 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.

**AUGUSTA TOWNSHIP
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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. The Township had the following significant Special Revenue Fund:

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

3. Permanent Funds

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant permanent fund:

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

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund 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.

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. The Township did not encumber all commitments required by Ohio law.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

**AUGUSTA TOWNSHIP
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

**AUGUSTA TOWNSHIP
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

G. Property, Plant, and Equipment

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

2. Equity in Pooled Deposits

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

	2011	2010
Demand deposits	\$67,330	\$95,613
Certificates of deposit	5,000	5,000
Total deposits	\$72,330	\$100,613

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$47,040	\$68,459	\$21,419
Special Revenue	165,509	167,789	2,280
Permanent	0	6	6
Total	\$212,549	\$236,254	\$23,705

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$93,679	\$74,366	\$19,313
Special Revenue	208,798	190,171	18,627
Permanent	7,195	7,195	7,195
Total	\$309,672	\$264,537	\$45,135

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$62,012	\$82,727	\$20,715
Special Revenue	179,647	172,541	(7,106)
Permanent	0	6	6
Total	\$241,659	\$255,274	\$13,615

**AUGUSTA TOWNSHIP
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. Budgetary Activity (Continued)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$63,954	\$45,078	\$18,876
Special Revenue	226,675	178,438	48,237
Permanent	1,000	1,000	1,000
Total	\$291,629	\$223,516	\$68,113

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.

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

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

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10%, of their gross salaries and the Township contributed an amount equaling 14%, of participants' gross salaries. The Township has paid all contributions required through December 31, 2011.

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.

**AUGUSTA TOWNSHIP
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

6. Risk Management (Continued)

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. 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.

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, 2010, 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, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Assets	\$35,086,165	\$35,855,252
Liabilities	<u>(9,718,792)</u>	<u>(10,664,724)</u>
Net Assets	<u>\$25,367,373</u>	<u>\$25,190,528</u>

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$9.1 and \$9.9 million of estimated incurred claims payable. The assets above also include approximately \$8.6 and \$9.5 million of unpaid claims to be billed to approximately 938 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Township's share of these unpaid claims collectible in future years is approximately \$3,100.

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.

**AUGUSTA TOWNSHIP
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

6. Risk Management (Continued)

<u>Contributions to OTARMA</u>	
<u>2011</u>	<u>2010</u>
\$4,661	\$3,870

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

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Dave Yost • Auditor of State

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

Augusta Township
Carroll County
P. O. Box 3
Carrollton, Ohio 44615

To the Board of Trustees:

We have audited the financial statements of Augusta Township (the Township) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated April 12, 2013, 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. In addition, we noted the Township implemented *Government Accounting Standards* Board Statement 54, "Fund Balance and Governmental Type Definitions" in 2011. 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 opinion 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 deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 findings 2011-04 and 2011-05 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011- 01 through 2011-03.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated April 12, 2013.

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, the Board of Trustees, and others within the Township. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

April 12, 2013

**AUGUSTA TOWNSHIP
CARROLL COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

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

FINDING NUMBER 2011-01

Finding for Recovery/Noncompliance

State ex rel. McClure v. Hagerman, 155 Ohio St 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. As such the decision to expend public funds must be made in accordance with the procedural formalities governing the exercise of legislative power. Specifically, the decision must be memorialized by a duly enacted ordinance or resolution and may have prospective effect only. Auditor of State Bulletin 2003-005 states that governmental entities may not make expenditures of public monies unless they are for a valid public purpose. The Bulletin indicates that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

The former Fiscal Officer, Darla (Underwood/Turnipseed) Murray, issued several checks to vendors on her behalf during 2009 and 2011. The checks were for payments to utilities and two credit card vendors; however, only partial evidence was presented to substantiate the validity of the disbursements. The following is a list of the expenditures:

Check Number	Check Date	Check Amount	Not for Proper Public Purpose	Payee
2512	8/3/09	\$364	\$283	Ohio Edison Co.
2565	10/5/09	\$287	\$210	Ohio Edison Co.
2635	12/7/09	\$34	\$34	Verizon Wireless
2667	12/21/09	\$58	\$58	Verizon Wireless
3190	6/17/11	\$651	\$544	Chase Card Services
3339	11/30/11	\$41	\$41	Staples
			\$1,170	Total

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of such expenditure. *Steward v. National Security Company* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074, Ohio Revised Code Section 9.39, *State ex rel. Village of Linndale v. Mastern* (1985); 19 Ohio St. 3d. 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or stolen property. 198101 Att'y Gen No 80-074.24.

In accordance with the forgoing facts, and pursuant to Ohio Revised Code Section 117.28, a finding for recovery of public property converted or misappropriated is hereby issued against Darla (Underwood/Turnipseed) Murray and her surety company, Travelers Casualty and Surety Company of America, in the amount of \$1,170, and against Township Trustees John R. Thompson, Jeffrey L. Hawk, Calvin C. Mangun, and Gary L. Moody, and their bonding company Ohio Township Association Risk Management Authority (OTARMA), jointly and severally, in the amounts of \$1,170, \$1,170, \$585, and \$585, respectively and in favor of the Township's General, Motor Vehicle License Tax, Gasoline Tax and Lighting District Funds in the amounts of \$133, \$517, \$27 and \$493, respectively.

Accordingly, the Township Trustees shall be secondarily liable for such illegal expenditures to the extent that recovery or restitution is not obtained from Darla (Underwood/Turnipseed) Murray.

**FINDING NUMBER 2011-01
 (Continued)**

Official's Response:

Beginning April 2012, the Township Trustees thoroughly review all bill to ensure proper expenditure prior to signing the checks for payment.

FINDING NUMBER 2011-02

Finding for Recovery/Noncompliance

State ex rel. McClure v. Hagerman, 155 Ohio St 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. As such the decision to expend public funds must be made in accordance with the procedural formalities governing the exercise of legislative power. Specifically, the decision must be memorialized by a duly enacted ordinance or resolution and may have prospective effect only. Auditor of State Bulletin 2003-005 states that governmental entities may not make expenditures of public monies unless they are for a valid public purpose. The Bulletin indicates that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

The Former Township Fiscal Officer, Darla (Underwood/Turnipseed) Murray, issued several checks to herself and to vendors on her behalf during 2009, 2011, and February 2012. The checks were for payments to herself, her personal utilities and various credit card vendors; however, only partial evidence was presented to substantiate the validity of the disbursements. The following is a list of the expenditures:

Check Number	Check Date	Check Amount	Not for Proper Public Purpose	Payee
2444	5/30/09	\$1,000	\$1,000	Darla Kaye Underwood
2508	7/20/09	\$900	\$900	Darla Underwood
2553	9/17/09	\$18	\$18	Chase Bank
2584	10/5/09	\$700	\$700	Darla Underwood
2659	12/8/09	\$71	\$71	Verizon North
2661	12/8/09	\$160	\$160	Ohio Edison Co
2695	12/31/09	\$469	\$469	Darla Underwood
3042	2/1/11	\$450	\$450	Staples
3084	3/3/11	\$1,423	\$1,423	Chase Card Services
3086	3/7/11	\$711	\$711	Darla Kaye Underwood
3093	3/12/11	\$3,057	\$3,057	Bank of America
3104	4/4/11	\$643	\$500	Staples
3121	4/4/11	\$1,224	\$1,224	Chase Card Services
3139	5/1/11	\$247	\$247	Chase Card Services
3145	5/2/11	\$3,951	\$3,951	Bank of America
3156	5/16/11	\$711	\$711	Darla Turnipseed
3159	5/16/11	\$1,243	\$1,243	Chase Card Services
3171	5/26/11	\$666	\$666	Chase Card Services
3172	5/26/11	\$500	\$500	Darla K. Turnipseed
3208	7/5/11	\$748	\$748	Chase Card Services
3240	8/1/11	\$1,279	\$1,279	Chase Card Services
3259	9/6/11	\$692	\$243	Chase Card Services

**FINDING NUMBER 2011-02
 (Continued)**

3260	8/31/11	\$1,000	\$1,000	Sams Club Discover/GEMB
3261	8/31/11	\$500	\$500	American Express
3262	8/23/11	\$500	\$500	Cabela's Visa
3281	9/19/11	\$155	\$155	Verizon Wireless
3282	9/19/11	\$600	\$600	Chase Bank
3293	10/3/11	\$50	\$50	Treasurer, State of Ohio
3303	10/17/11	\$905	\$905	Chase Card
3326	11/20/11	\$1,100	\$1,100	Chase Bank
3356	12/7/11	\$623	\$623	Chase Card
3403	2/6/12	\$733	\$733	Chase Card
			\$26,437	Total

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of such expenditure. Steward v. National Security Company (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074, Ohio Revised Code Section 9.39, State ex rel. Village of Linndale v. Mastern (1985); 19 Ohio St. 3d. 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or stolen property. 198101 Att'y Gen No 80-074.24.

In accordance with the forgoing facts, and pursuant to Ohio Revised Code Section 117.28, a finding for recovery of public property converted or misappropriated is hereby issued against Darla (Underwood/Turnipseed) Murray and her surety company, Travelers Casualty and Surety Company of America, in the amount of \$26,437and in favor of the following funds of Augusta Township:

Fund	Amount
General	\$3,183
Motor Vehicle License Tax	\$1,289
Gasoline Tax	\$13,912
Road and Bridge	\$3,025
Augusta Fire Levy	\$3,900
Malvern Fire Levy	\$968
Lighting District	\$160

Official's Response:

Restitution received was only for the amount of \$24,836, Trustees will pursue recovery of balance owed from Darla (Underwood/Turnipseed) Murray and her surety company, Travelers Casualty & Surety Company of America.

FINDING NUMBER 2011-03

Noncompliance

Ohio Revised Code Section 5705.41(D) provides that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively of the Ohio Revised Code.

1. **Then and Now Certificate** – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Township may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

If the amount involved is less than \$3,000 the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Township Board of Trustees if such expenditure is otherwise valid.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not be, limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Township may also make expenditures and contracts for any amount from a specific line item appropriation in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket may be outstanding a particular time for any line item appropriation.

The Fiscal Officer did not certify or record the amount against the applicable appropriation accounts for 10% of tested expenditures in 2010 and 29% in 2011. The Township did not properly utilize the certification exceptions described above for those expenditures lacking prior certification, including having Then and Now Certificates approved by Board Resolution when the amount reaches \$3,000.

**FINDING NUMBER 2011-03
 (Continued)**

Failure to certify the availability of funds and encumber appropriations for the full amount of the expenditure could result in overspending in negative cash balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, the Fiscal Officer should certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

The Township should certify purchases to which section Ohio Revised Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language which Ohio Revised Code Section 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of Ohio Revised Code § 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce available appropriation.

Official's Response:

Current Fiscal Officer advises Trustees of certification of funds available for appropriation and follows proper procedures as outlined above.

FINDING NUMBER 2011-04

Material Weakness

The Fiscal Officer did not properly code and classify the following receipts in 2010 and 2011, which resulted in reclassifications and adjustments to the financial statements. The Fiscal Officer has agreed to the reclassifications and adjustments and the corrected amounts are reflected in the accompanying financial statements. The Fiscal Officer has agreed to post the adjustment to the accounting ledgers.

Fund Name	Line Item	Amount	Description
2010:			
<u>Reclassifications:</u>			
General	Intergovernmental Revenue	\$8,415	Recorded as Local Taxes
Road and Bridge	Intergovernmental Revenue	\$2,256	Recorded as Local Taxes
Augusta Fire Levy	Intergovernmental Revenue	\$5,317	Recorded as Local Taxes
Minerva Fire Levy	Intergovernmental Revenue	\$971	Recorded as Local Taxes
General	Intergovernmental Revenue	\$6,680	Recorded as Other Financing Sources
<u>Adjustments:</u>			
Road and Bridge	Intergovernmental Revenue	\$577	Recorded as General Local Taxes
Augusta Fire Levy	Intergovernmental Revenue	\$1,194	Recorded as General Local Taxes
Minerva Fire Levy	Intergovernmental Revenue	\$610	Recorded as General Local Taxes
Gasoline Tax	Intergovernmental Revenue	\$2,376	Recorded as General Intergovernmental Revenue
Gasoline Tax	Intergovernmental Revenue	\$4,987	Recorded as Mt Zion Cemetery Bequest Earnings on Investments

**FINDING NUMBER 2011-04
 (Continued)**

Fund Name	Line Item	Amount	Description
2011:			
<i>Reclassifications:</i>			
General	Intergovernmental Revenue	\$7,365	Recorded as Local Taxes
Road and Bridge	Intergovernmental Revenue	\$2,621	Recorded as Local Taxes
General	Other Financing Sources	\$2,412	Recorded as Local Taxes
Augusta Fire Levy	Intergovernmental Revenue	\$2,164	Recorded as Local Taxes
Minerva Fire Levy	Intergovernmental Revenue	\$1,053	Recorded as Local Taxes
Gasoline Tax	Other Financing Sources	\$1,118	Recorded as Intergovernmental
<i>Adjustments:</i>			
Road and Bridge	Intergovernmental Revenue	\$178	Recorded as General Local Taxes
Augusta Fire Levy	Intergovernmental Revenue	\$127	Recorded as General Local Taxes
Augusta Fire Levy	Intergovernmental Revenue	\$2,651	Recorded as Malvern Fire Levy Local Taxes
Gasoline Tax	Intergovernmental Revenue	\$4,859	Recorded as Mt Zion Cemetery Bequest Earnings on Investments

Failure to consistently follow a uniform chart of accounts increases the possibility the Township will not be able to identify, assemble, classify, record, and report its transactions correctly or to document compliance with finance-related legal and contractual requirements. The Fiscal Officer should maintain the accounting system to enable the Township to identify, assemble, analyze, classify, record, and report all transactions and to maintain accountability. All transactions should be properly coded and classified according to the UAN chart of accounts to help ensure that financial activity of the Township is accurately recorded and reported.

Official's Response:

Per instruction from state auditors, adjustments were posted in December 2012. Current Fiscal Officer follows proper procedures as outlined in above paragraph.

FINDING NUMBER 2011-05

Material Weakness

The Township's current system for issuing checks and completing non-payroll expenditure transactions does not provide the framework by which adequate documentation is maintained or by which sufficient information is available to the Township Board of Trustees. The following weaknesses were noted:

- Expenditure information (i.e. payee, check number, etc) on the check issued did not always agree to the Township ledger.
- Voided checks were not always properly voided, retained, and voided in the system.
- Check images were not always available to review.
- Detailed supporting documentation was not always maintained and attached to the voucher packet.
- Checks were not always issued in sequentially order.
- Checks issued did not always contain valid and required signatures.
- Payments were not always approved in the minute record.

FINDING NUMBER 2011-05
(Continued)

These weaknesses can result and in some cases did result in the misuse of public funds, errors in the reporting of disbursements in the system, and fraud.

The Township should establish specific procedures to effectively control each non-payroll disbursement transaction, including but not limited to the following suggestions:

- All expenditure information (i.e. payee, check number, etc) on the check issued should agree to the Township ledger.
- Voided checks should always be properly voided in the system and physically and should be retained.
- Check images should be maintained and available for review.
- Detailed supporting documentation should be maintained and attached to the voucher packet.
- Checks should be issued in sequentially order.
- All checks issued should be signed by the required signatories.
- Payments should be reviewed and approved in the minute record.

The Township Officials should review the guidelines contained in the Ohio Administrative Code to guide them in establishing expenditure cycle procedures. Implementing the suggested procedures will provide the means to ensure that non-payroll expenditures are valid, accurately recorded and paid in a timely manner.

Official's Response:

Township Trustees and Fiscal Officer have already implemented the suggested procedures outlined above.

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Dave Yost • Auditor of State

AUGUSTA TOWNSHIP

CARROLL 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
JUNE 27, 2013**