



Dave Yost • Auditor of State

**CARTHAGE TOWNSHIP
ATHENS COUNTY
DECEMBER 31, 2017 AND 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Carthage Township
Athens County
5600 Bean Cemetery Road
Guysville, Ohio 45735

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Carthage Township, Athens County, Ohio (the Township), as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Carthage Township, Athens County, Ohio as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 12 to the 2016 financial statements, the Township Trustees restated the January 1, 2016 fund balances of both the Permanent Fund and Private Purpose Trust Fund by \$1,000 as a result of obtaining additional information which necessitated reclassifying a cemetery bequest. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2018, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

November 29, 2018

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Carthage Township
Athens County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017*

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$62,059	\$191,509	\$0	\$253,568
Charges for Services	0	400	0	400
Intergovernmental	23,669	137,767	0	161,436
Earnings on Investments	242	63	3	308
Miscellaneous	17,331	5,453	0	22,784
<i>Total Cash Receipts</i>	<u>103,301</u>	<u>335,192</u>	<u>3</u>	<u>438,496</u>
Cash Disbursements				
Current:				
General Government	102,637	40	0	102,677
Public Safety	0	45,492	0	45,492
Public Works	0	236,409	0	236,409
Health	0	11,151	0	11,151
Human Services	0	11,112	0	11,112
Capital Outlay	21,752	50,754	0	72,506
<i>Total Cash Disbursements</i>	<u>124,389</u>	<u>354,958</u>	<u>0</u>	<u>479,347</u>
<i>Excess of Receipts Over Disbursements</i>	<u>(21,088)</u>	<u>(19,766)</u>	<u>3</u>	<u>(40,851)</u>
Other Financing Receipts				
Other Debt Proceeds	21,752	50,754	0	72,506
<i>Total Other Financing Receipts</i>	<u>21,752</u>	<u>50,754</u>	<u>0</u>	<u>72,506</u>
<i>Net Change in Fund Cash Balances</i>	664	30,988	3	31,655
<i>Fund Cash Balances, January 1</i>	<u>39,537</u>	<u>93,633</u>	<u>610</u>	<u>133,780</u>
Fund Cash Balances, December 31				
Nonspendable	0	0	600	600
Restricted	0	75,068	13	75,081
Committed	0	49,553	0	49,553
Unassigned	40,201	0	0	40,201
<i>Fund Cash Balances, December 31</i>	<u>\$40,201</u>	<u>\$124,621</u>	<u>\$613</u>	<u>\$165,435</u>

See accompanying notes to the basic financial statements.

Carthage Township
Athens County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Fiduciary Fund Types
For the Year Ended December 31, 2017*

	Private Purpose Trust
Operating Cash Receipts	
Earnings on Investments	\$7
<i>Total Operating Cash Receipts</i>	<u>7</u>
<i>Operating Income</i>	<u>7</u>
<i>Fund Cash Balances, January 1</i>	<u>1,000</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,007</u></u>

See accompanying notes to the basic financial statements.

CARTHAGE TOWNSHIP
ATHENS COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

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

Public Entity Risk Pools

The Township participates in Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool. Note 7 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.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Gasoline Tax Fund The Gasoline Tax Fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Road District Fund The Road District Fund received property tax money for constructing, maintaining, and repairing Township roads.

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

CARTHAGE TOWNSHIP
ATHENS COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Permanent Fund (Cemetery Endowment) – The Permanent Fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted for the general maintenance and upkeep of the Township’s cemetery.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township’s own programs.

The Township’s private purpose trust fund is for the benefit of certain individuals.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

Budgetary Process

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

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

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

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 2017 budgetary activity appears in Note 4.

CARTHAGE TOWNSHIP
ATHENS COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

Capital Assets

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

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.

Fund Balance

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

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

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.

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.

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.

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.

CARTHAGE TOWNSHIP
ATHENS COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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.

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General, Motor Vehicle License Tax, Gasoline Tax, Road and Bridge, Road Maintenance, Special Levy (2191) and Special Levy Funds (2192) by \$66,062, \$9,000, \$66,827, \$40,567, \$63,586, \$39,558, and \$21,203, respectively, for the year ended December 31, 2017. Additionally, budgetary amounts posted to the accounting system did not agree to the formally approved amounts.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$120,592	\$125,053	\$4,461
Special Revenue	350,446	385,946	35,500
Permanent	1,943	3	(1,940)
Trust	0	7	7
Total	\$472,981	\$511,009	\$38,028

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$60,748	\$126,800	(\$66,052)
Special Revenue	123,521	360,262	(236,741)
Permanent	1,500	0	1,500
Trust	0	0	0
Total	\$185,769	\$487,062	(\$301,293)

Note 5 – 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:

CARTHAGE TOWNSHIP
ATHENS COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 5 – Deposits and Investments (Continued)

	<u>2017</u>
Demand deposits	\$164,842
Certificates of deposit	<u>1,600</u>
Total deposits	<u><u>\$166,442</u></u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 6 – Property Taxes

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.

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

Note 7 – Risk Management

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

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

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

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2017, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

CARTHAGE TOWNSHIP
ATHENS COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 7 – Risk Management (Continued)

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, 2017.

	2017
Assets	\$40,010,732
Liabilities	8,675,465
Net Position	\$31,335,267

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township’s share of these unpaid claims collectible in future years is approximately \$4,000.

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

<u>2017 Contributions to OTARMA</u>
\$9,896

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.

Note 8 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

All Township 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.

CARTHAGE TOWNSHIP
ATHENS COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 8 – Defined Benefit Pension Plan (Continued)

The Ohio Revised Code also prescribes contribution rates. 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, 2017.

Note 9 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

Note 10 – Contingent Liabilities

The Township is currently party to legal proceedings. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Township's financial condition.

Note 11 – Debt

Debt outstanding at December 31, 2017, was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$58,434	1.5%

The Township issued general obligation bonds to finance the purchase of a Ford F-550 Diesel Truck in 2017 for \$72,506. The Township's taxing authority collateralized the bonds.

Amortization

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

Year Ending December 31:	General Obligation Bonds
2018	15,160
2019	15,160
2020	15,160
2021	15,160
Total	\$60,641

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Carthage Township
Athens County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016*

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$49,249	\$150,785	\$0	\$200,034
Charges for Services	490	1,000	0	1,490
Intergovernmental	32,816	150,519	0	183,335
Earnings on Investments	241	64	3	308
Miscellaneous	13,565	50,299	0	63,864
<i>Total Cash Receipts</i>	<u>96,361</u>	<u>352,667</u>	<u>3</u>	<u>449,031</u>
Cash Disbursements				
Current:				
General Government	101,698	0	0	101,698
Public Safety	0	40,377	0	40,377
Public Works	0	301,557	0	301,557
Health	0	800	565	1,365
<i>Total Cash Disbursements</i>	<u>101,698</u>	<u>342,734</u>	<u>565</u>	<u>444,997</u>
<i>Net Change in Fund Cash Balances</i>	(5,337)	9,933	(562)	4,034
<i>Fund Cash Balances, January 1, restated</i>	<u>44,874</u>	<u>83,700</u>	<u>1,172</u>	<u>129,746</u>
Fund Cash Balances, December 31				
Nonspendable	0	0	600	600
Restricted	0	56,824	0	56,824
Committed	0	36,809	10	36,819
Unassigned	39,537	0	0	39,537
<i>Fund Cash Balances, December 31</i>	<u>\$39,537</u>	<u>\$93,633</u>	<u>\$610</u>	<u>\$133,780</u>

See accompanying notes to the basic financial statements.

Carthage Township
Athens County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Fiduciary Fund Types
For the Year Ended December 31, 2016*

	Private Purpose Trust
Operating Cash Receipts	
Earnings on Investments	\$7
<i>Total Operating Cash Receipts</i>	<u>7</u>
Operating Cash Disbursements	
Purchased Services	<u>7</u>
<i>Total Operating Cash Disbursements</i>	<u>7</u>
<i>Operating Income</i>	<u>0</u>
<i>Fund Cash Balances, January 1</i>	<u>1,000</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,000</u></u>

See accompanying notes to the basic financial statements.

CARTHAGE TOWNSHIP
ATHENS COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

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

Public Entity Risk Pools

The Township participates in Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool. Note 7 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.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Gasoline Tax Fund The Gasoline Tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Road District Fund The Road District Fund received property tax money for constructing, maintaining, and repairing Township roads.

Road and Bridge Fund The Road and Bridge Fund received property tax money for constructing, maintaining, and repairing Township Roads and Bridges.

CARTHAGE TOWNSHIP
ATHENS COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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

Permanent Fund (Cemetery Endowment) – The Permanent Fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted for the general maintenance and upkeep of the Township's cemetery.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

The Township's private purpose trust fund is for the benefit of certain individuals.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

Budgetary Process

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

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

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

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 2016 budgetary activity appears in Note 4.

CARTHAGE TOWNSHIP
ATHENS COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

Capital Assets

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

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.

Fund Balance

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

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

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.

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.

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.

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.

CARTHAGE TOWNSHIP
ATHENS COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General, Motor Vehicle License Tax and Road and Bridge Funds by \$1,163, \$2,132 and \$39,254, respectively, for the year ended December 31, 2016. Additionally, budgetary amounts posted to the accounting system did not agree to formally approved amounts.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$82,512	\$96,361	\$13,849
Special Revenue	385,743	352,667	(33,076)
Permanent	4,412	3	(4,409)
Trust	0	7	7
Total	\$472,667	\$449,038	(\$23,629)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$102,570	\$103,733	(\$1,163)
Special Revenue	333,034	346,564	(13,530)
Permanent	656	565	91
Trust	7	7	0
Total	\$436,267	\$450,869	(\$14,602)

Note 5 – 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:

Demand deposits	2016 \$133,180
Certificates of deposit	1,600
Total deposits	\$134,780

CARTHAGE TOWNSHIP
ATHENS COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 6 – Property Taxes

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.

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

Note 7 – Risk Management

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

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

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

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2016, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2016.

CARTHAGE TOWNSHIP
ATHENS COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 7 – Risk Management (Continued)

	2016
Assets	\$38,473,283
Liabilities	8,244,140
Net Position	\$30,229,143

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township’s share of these unpaid claims collectible in future years is approximately \$4,000.

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

<u>2016 Contributions to</u> <u>OTARMA</u>
\$9,857

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.

Note 8 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

All Township 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. 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, 2016.

CARTHAGE TOWNSHIP
ATHENS COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 9 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

Note 10 – Contingent Liabilities

The Township is currently party to legal proceedings. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Township’s financial condition.

Note 11 – Related Party Transactions

A Township Trustee’s son-in law of the owner of 1st Choice Lawn Care. The Township contracts with 1st Choice Lawn Care to mow Township cemeteries. The Township paid \$9,550 for this service in 2016. The Township Trustee did not abstain from approving the contract.

Note 12 – Restatement of Beginning Balances

The Township obtained additional information relating to a cemetery bequest previously included in the Permanent Fund. As a result, the proper classification for that portion of the Permanent Fund was determined to be a Private Purpose Trust. As a result, the January 1, 2016 balance was restated as follows:

Fund Type	12/31/2015 Balance	Amount	Restated 1/1/2016 Balance
Permanent Fund	\$2,172	(\$1,000)	\$1,172
Private Purpose Trust Fund	\$0	\$1,000	\$1,000

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Dave Yost • Auditor of State

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

Carthage Township
Athens County
5600 Bean Cemetery Road
Guysville, Ohio 45735

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Carthage Township, Athens County, Ohio (the Township), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated November 29, 2018 wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We also noted the Township Trustees restated the January 1, 2016 fund balances of both the Permanent Fund and Private Purpose Trust Fund by \$1,000 as a result of obtaining additional information which necessitated reclassifying a cemetery bequest.

Internal Control Over Financial Reporting

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

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider Findings 2017-002 through 2017-005 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2017-001 through 2017-003.

Entity's Response to Findings

The Township's response to the Findings identified in our audit is described in the accompanying Schedule of Findings. We did not subject the Township's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

November 29, 2018

**CARTHAGE TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

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

FINDING NUMBER 2017-001

Noncompliance

Ohio Rev. Code § 5705.38 provides that, on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

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

The Township approved the required appropriation resolutions for 2017 and 2016 on March 20, 2017 and February 1, 2016, respectively, which was not within the required time frame.

In addition, at December 31, 2017, expenditures exceeded appropriations, as follows:

Fund	Appropriations, as Approved*	Budgetary Expenditures	Variance
General	\$60,748	\$126,800	\$66,052
Motor Vehicle License Tax	33,377	42,377	9,000
Gasoline Tax	51,577	118,404	66,827
Road and Bridge	10,950	51,517	40,567
Road Maintenance	16,000	79,586	63,586
Special Levy (2191)	4,517	44,075	39,558
Special Levy (2192)	3,100	24,303	21,203
	<u>\$180,269</u>	<u>\$487,062</u>	<u>\$306,793</u>

At December 31, 2016, expenditures exceeded appropriations, as follows:

Fund	Appropriations, as Approved*	Budgetary Expenditures	Variance
General	\$102,570	\$103,733	\$1,163
Motor Vehicle License Tax	37,044	39,176	2,132
Road and Bridge	53,400	92,654	39,254
	<u>\$193,014</u>	<u>\$235,563</u>	<u>\$42,549</u>

*Includes changes resulting from audit adjustments.

Failure to timely approve the annual appropriation resolution and limit expenditures to appropriated amount can lead to questions as to legality of expenditures.

The Board of Trustees should adopt an appropriation measure prior to expending or obligating funds. If the Board wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, they may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1. In addition, the Trustees should limit expenditures to appropriated amounts.

**CARTHAGE TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016 (Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2017-001 (Continued)

Noncompliance - Ohio Rev. Code § 5705.38 (Continued)

Official's Response: For 2019, the fiscal officer will have temporary budget numbers for the trustees at the December 2018 meeting for them to approve. We will then get that required paperwork to the county auditors. We can have it back at the end of year meeting before the beginning of the year.

FINDING NUMBER 2017-002

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.40 states, in part, that a subdivision may amend or supplement its appropriation measure provided the entity complies with the same provisions of law as are used in making the original appropriation. In addition, Ohio courts have held that a Board or Officer whose judgment and discretion is required, was chosen because they were deemed fit and competent to exercise that judgment and discretion and unless power to substitute another in their place has been given, such Board or Officer cannot delegate these duties to another. Following such reasoning, a Township Board of Trustees would be prohibited from delegating duties statutorily assigned to it, such as the duty of amending appropriations. See *C.B. Transportation, Inc. v. Butler County Board of Mental Retardation*, 60 Ohio Misc. 71, 397 N.E.2d 781 (C.P. 1979); *Burkholder v. Lauber*, 6 Ohio Misc. 152, 216 N.E.2d 909 (C.P. 1965).

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Board to make informed decisions regarding budgetary matters. The Appropriation resolution and subsequent amendments establish the legal spending authority of the Township and the appropriation ledger provides the process by which the Township controls spending, it is therefore necessary the amounts appropriated by the Board are precisely stated and accurately posted to the appropriation ledger.

The Fiscal Officer posted amendments to appropriations and supplemental appropriations to the accounting system in 2017 and 2016 without obtaining the proper approvals from the Board of Trustees. As a result, the changes in appropriations were invalid causing the system to show incorrect budget to actual information. The Board of Trustees, therefore, lost some degree of control and was unable to effectively monitor and report its budget vs. actual status throughout the year.

The Township did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations (and/or amendments thereof) approved by the Board were not properly posted to the accounting system.

At December 31, 2017, appropriations posted to the system varied materially from those approved by the Board of Trustees as follows:

**CARTHAGE TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016 (Continued)**

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

FINDING NUMBER 2017-002 (Continued)

Noncompliance and Material Weakness - Ohio Rev. Code § 5705.40 (Continued)

Fund	Appropriations, as Approved	Appropriations, as Posted	System Over (Under) Approved
General	\$38,996	\$157,674	\$118,678
Motor Vehicle License Tax	8,000	28,228	20,228
Gasoline Tax	26,200	98,318	72,118
Road and Bridge	10,950	108,911	97,961
Road Maintenance	16,000	106,066	90,066
Special Levy (2191)	4,500	47,368	42,868
Special Levy (2192)	3,100	33,594	30,494
Permissive Motor Vehicle License Tax	4,000	12,420	8,420
Permanent	1,500	4,382	2,882
	<u>\$113,246</u>	<u>\$596,961</u>	<u>\$483,715</u>

At December 31, 2016, appropriations posted to the system varied materially from those approved by the Board of Trustees as follows:

Fund	Appropriations, as Approved	Appropriations, as Posted	System Over (Under) Approved
General	\$99,769	\$123,274	\$23,505
Motor Vehicle License Tax	37,044	41,789	4,745
Gasoline Tax	102,000	105,504	3,504
Road and Bridge	53,400	148,937	95,537
Road Maintenance	72,100	81,978	9,878
Special Levy (2191)	31,450	44,657	13,207
Special Levy (2192)	18,200	23,240	5,040
Permissive Motor Vehicle License Tax	18,837	11,520	(7,317)
	<u>\$432,800</u>	<u>\$580,899</u>	<u>\$148,099</u>

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the financial statements.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Township should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Board. The Township should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

Official's Response: The Fiscal Officer is making every attempt to do keep the trustees informed of the budget and the amount of monies in each said account.

**CARTHAGE TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016 (Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2017-003

Noncompliance and Material Weakness

Ohio Admin. Code § 117-2-01(D)(4) provides that, when designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls. The size of the Township staff did not allow for an adequate segregation of duties; the Fiscal Officer performed all accounting functions, including receipting, depositing, disbursing, and reconciling. It is, therefore, important that the Board of Trustees monitor financial activity closely.

The Fiscal Officer periodically presented monthly reports to the Trustees. However, the Township did not maintain support that any review occurred for financial activity for eight out of 24 months covered by the audit period. Failure to list out specific reports reviewed each month and document in the minute record can lead to some question as to actual review. The failure of bank reconciliations provided to the Trustees for monthly review hampers the ability to effectively monitor the financial activity and position of the Township.

To ensure the Trustees have all pertinent data and information to properly monitor and manage the Township, they should carefully review and accept/approve budget to actual information in the minutes of the meetings of the Township and document the reports used for this review in detail. Further, the Trustees should make appropriate inquiries to help determine the continued integrity of financial information. The Trustees should review and document review of bank reconciliations in the monthly board minutes.

Official's Response: The Fiscal Officer attempts to reconcile each month but there are months that the meeting is held before the statement is received. The Fiscal Officer was hoping to have a reconciled statement at the end of the last audit however; the reconciliation is always off each month. The Fiscal Officer is attempting to reconcile each month.

FINDING NUMBER 2017-004

Material Weakness- Bank Reconciliations

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Fiscal Officer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Board is responsible for reviewing the reconciliations and related support.

The Fiscal Officer did not properly reconcile the bank statements to the cash journal monthly resulting in reconciling factors due to timing issues and other minor variances throughout 2017 and 2016. Failure to reconcile monthly increases the possibility that the Entity will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

**CARTHAGE TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016 (Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2017-004 (Continued)

Material Weakness- Bank Reconciliations (Continued)

The Fiscal Officer should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, the Board should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

Official's Response: The Fiscal Officer will submit reconciliations each month even if the bank statement doesn't balance.

FINDING NUMBER 2017-005

Material Weakness

In our audit engagement letter, as required by AU-C § 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C § 210 paragraphs .A14 & .A16.

The Fiscal Officer posted certain revenue and expenditures transactions incorrectly resulting in material audit adjustments.

For the year ended December 31, 2017 the following items were noted:

- Homestead and Rollbacks were misclassified resulting in:
 - General Fund- a decrease in Property and Other Local Taxes and an increase in Intergovernmental receipts of \$7,918.
 - Road and Bridge Fund- a decrease in Property and Other Local Taxes and increase in Intergovernmental receipts of \$7,198.
 - Special Levy Fund (Fund 2191) - a decrease in Property and Other Local Taxes and increase in Intergovernmental receipts of \$1,406.
 - Road District Fund- a decrease in Property and Other Local Taxes and increase in Intergovernmental receipts of \$9,621.
 - Special Levy Fund (Fund 2192) - a decrease in Property and Other Local Taxes and increase in Intergovernmental receipts of \$1,924.
- The bank reconciliation contained adjusting factors resulting in:
 - General Fund- an increase in General Government of \$795.
 - Gasoline Tax Fund- an increase in Public Works of \$2,146.
 - Special Levy Fund (Fund 2192) - an increase in Health of \$273.
 - Motor Vehicle License Tax Fund- a decrease in Public Works of \$392.
- Debt activity was not recorded resulting in:
 - General Fund- an increase in Debt Proceeds and Capital Outlay of \$21,752.
 - Motor Vehicle License Tax Fund- an increase in Debt Proceeds and Capital Outlay of \$25,377.
 - Gasoline Tax Fund- an increase in Debt Proceeds and Capital Outlay of \$25,377.

**CARTHAGE TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016 (Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2017-005 (Continued)

Material Weakness (Continued)

- Refunds/Reimbursements were not returned to the same fund making the original payment resulting in
 - General Fund- a decrease in Miscellaneous receipts of \$5,450.
 - Motor Vehicle License Tax Fund- an increase in Miscellaneous receipts of \$2,599.
 - Road and Bridge Fund- an increase in Miscellaneous receipts of \$448.
 - Gasoline Tax Fund- an increase in Miscellaneous receipts of \$2,403.
- Improper function codes were selected for various disbursements resulting in:
 - General Fund- a decrease in Public Works of \$7,686, a decrease in Human Services of \$5,466, and an increase in General Government of \$13,152.
- A portion of the Permanent Fund was determined to relate to a will indicating the proceeds were to be used for the upkeep of individual grave plots. As such, the activity relating to this bequest was reclassified as a Private Purpose Trust Fund. This resulted in:
 - General Fund- Decrease in Earning of Investments of \$7.
 - Permanent Fund- a decrease in Fund Cash Balances, January 1 of \$1,000.
 - Private Purpose Trust Fund- an increase in Fund Cash Balances, January 1 of \$1,000, and an increase in Interest of \$7.
- The Township did not properly classify fund balances in accordance with GASB 54 as outlined in AOS Bulletin 2011-004.
 - In the Road and Bridge Fund, the inside millage portion should be Committed rather than Restricted resulting in in reclassification of \$47,375 of the December 31, 2017 fund balance to Committed rather than Restricted.
 - In the Permanent Fund, the corpus amount of the bequest should be classified as nonspendable resulting in an increase in Nonspendable fund balance and decrease in Restricted fund balance of \$600.
- Burial plot sales misposted as Other Financing Sources resulting in :
 - Special Levy Fund (2192) - an increase in Charges for Services of \$401.
 - Permanent Fund- a decrease in Other Financing Sources of \$401.

For the year ended December 31, 2016, the following items were noted:

- The bank reconciliation contained adjusting factors resulting in:
 - General Fund- a decrease in General Government of \$1,187, a decrease in Other Financing Sources of \$576, and a decrease in Earnings on Investment of \$20.
 - Gasoline Tax Fund- a decrease in Public Works of \$2,756 and a decrease in Earnings on Investment of \$3.
 - Road and Bridge Fund- a decrease in Public Works of \$1,730.
 - Motor Vehicle License Tax Fund- a decrease in intergovernmental receipts of \$3,000 and a decrease in Earning of Investment of \$2.
 - Road District Fund- a decrease in Public works of \$2,841.
 - Permissive Motor Vehicle License tax Fund- an increase in intergovernmental of \$20 and increase in Earnings on Investment of \$1.
- Burial plot sales misposted and Refunds/Reimbursements were not returned to the same fund making the original payment resulting in:
 - General Fund- an increase in Miscellaneous receipts of \$2,636.
 - Special Levy Fund (2192) - an increase in Charges for Services of \$1,000.

**CARTHAGE TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016 (Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2017-005 (Continued)

Material Weakness (Continued)

- Permanent Fund- a decrease in Other Financing Sources of \$1,000 and a decrease in Extraordinary Items of \$2,636.
- Improper function codes were selected for various disbursements resulting in:
 - General Fund- a decrease in Public Works of \$5,627, a decrease in Human Services of \$29,260, and an increase in General Government of \$34,887.
 - Road and Bridge Fund- an increase in Public Works of \$34,285, a decrease in Public Safety of \$34,262, and a decrease in General Government of \$23.
- Expenditures in the Permanent Fund were in excess of the nonspendable balance resulting in:
 - General Fund- an increase in General Government of \$2,800.
 - Permanent Fund- a decrease in Health of \$2,800.
- A portion of the Permanent Fund was determined to relate to a will indicating the proceeds were to be used for the upkeep of individual grave plots. As such, the activity relating to this bequest was reclassified as a Private Purpose Trust Fund. This resulted in:
 - General Fund- Decrease in Earning of Investments of \$7.
 - Permanent Fund- a decrease in Fund Cash Balances, January 1 of \$1,000 and a decrease in Health of \$7.
 - Private Purpose Trust Fund- an increase in Fund Cash Balances, January 1 of \$1,000, an increase in Purchased Services of \$7, and an increase in Interest of \$7.
- The Township did not properly classify fund balances in accordance with GASB 54 as outlined in AOS Bulletin 2011-004.
 - In the Road and Bridge Fund, the inside millage portion should be Committed rather than Restricted resulting in in reclassification of \$35,079 of the December 31, 2016 fund balance to Committed rather than Restricted.
 - In the Permanent Fund, the corpus amount of the bequest should be classified as nonspendable resulting in an increase in Nonspendable fund balance and decrease in Restricted fund balance of \$600.
- Receipts misposted as Other Financing Sources resulting in:
 - General Fund- an increase in Charges for Services of \$490, an increase in Miscellaneous receipts of \$9,084, and a decrease in Other Financing Sources of \$9,574.
 - Road and Bridge Fund- a decrease in Other Financing Sources and increase in Miscellaneous receipts of \$50,249
 - Special Levy Fund (2191) - an increase in Miscellaneous receipts and decrease in Other Financing Sources of \$50.

The footnotes to the financial statements also required material adjustment for 2016 to properly document the budgetary amounts, cash balances, compliance violations, updated OTARMA information, post-employment benefits, contingent liabilities, and related party transactions. For 2017, the footnotes to the financial statements required material adjustment to properly document the budgetary amounts, cash balances, compliance violations, updated OTARMA information, post-employment benefits, and contingent liabilities.

**CARTHAGE TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016 (Continued)**

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

FINDING NUMBER 2017-005 (Continued)

Material Weakness (Continued)

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

Fund	Unadjusted 12/31/2017 Fund Balance	Cumulative Adjustment Amount	Adjusted 12/31/2017 Fund Balance
General	\$46,033	(\$5,832)	\$40,201
Motor Vehicle License Tax	9,432	(11)	9,421
Gasoline Tax	17,771	3,010	20,781
Road and Bridge	47,375	2,178	49,553
Road District	22,768	2,841	25,609
Special Levy (2191)	511	0	511
Special Levy (2192)	5,724	1,127	6,851
Permissive Motor Vehicle License Tax	11,874	21	11,895
Permanent	2,843	(2,230)	613
Private Purpose Trust	0	1,007	1,007
	\$164,331	\$2,111	\$166,442

The Fiscal Officer should refer to the Township Handbook and AOS Bulletin 2011-004 for proper classification and take additional care in posting transactions to the Township's ledgers in order to ensure the financial statements reflect the appropriate classifications.

Official's Response: The Fiscal Officer is making every attempt to make sure that expenditures are posted to the correct account.

Office of
Board of Trustees

Carthage Township
Athens County
Athens, Ohio
5600 Bean Cemetery Road
Guysville, Ohio 45735

GAYLE BUCKLEY, Township Clerk

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2017 and 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Ohio Rev. Code § 5705.38(A) and § 5705.41(B) - Expenditures exceed appropriation authority and appropriations not passed.	Not Corrected.	For the next year of 2019 the fiscal officer will have temporary budget numbers for the trustees at the Dec 2018 meeting for them to approve. Then will get that required paperwork to the county auditors. We can have it back at the end of year meeting before the start of the new year. The fiscal officer is making every attempt to do keep the trustees informed of the budget and the amount of monies in each said account.
2015-002	Ohio Admin. Code §§ 117-2-01(D)(3) and (5)- Sufficient Bank Reconciliations were not performed monthly.	Not Corrected.	I'm attempting to reconcile each month.
2015-003	Material mispostings requiring financial statement adjustment indicating material weakness.	Not Corrected.	I'm making every attempt to make sure that each expenditure is put into the correct account.
2015-004	Ohio Admin. Code § 117-2-02(C)(1)- Budgeted amounts posted to the system did not agree to the amounts formally adopted/certified.	Not Corrected.	The fiscal officer is making every attempt to do keep the trustees informed of the budget and the amount of monies in each said account.

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Dave Yost • Auditor of State

CARTHAGE TOWNSHIP

ATHENS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 13, 2018**