



Mary Taylor, CPA  
Auditor of State



**CARTHAGE TOWNSHIP  
ATHENS COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007 .....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2006 .....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	21

**This page intentionally left blank.**



**Mary Taylor, CPA**  
Auditor of State

Carthage Township  
Athens County  
23171 Twp. Rd. #119  
Coolville, Ohio 45723

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 cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

October 1, 2008

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Carthage Township  
Athens County  
23171 Twp. Rd. #119  
Coolville, Ohio 45723

To the Board of Trustees:

We have audited the accompanying financial statements of Carthage Township, Athens County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006. 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(B) and 115.56 mandate 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.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701-2157  
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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, 2007 and 2006 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, 2007 and 2006, 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 of Carthage Township, Athens County, Ohio, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2008, 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.



**Mary Taylor, CPA**  
Auditor of State

October 1, 2008

CARTHAGE TOWNSHIP  
ATHENS COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>					
Property and Local Taxes	\$ 41,068	\$ 59,309	\$	\$	\$ 100,377
Intergovernmental	21,593	115,325	30,944		167,862
Earnings on Investments	641	2,273		19	2,933
Miscellaneous		18,891			18,891
Total Cash Receipts	<u>63,302</u>	<u>195,798</u>	<u>30,944</u>	<u>19</u>	<u>290,063</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	37,229				37,229
Public Safety		28,211			28,211
Public Works		152,114			152,114
Human Services	9,741	4,788			14,529
Capital Outlay			30,944		30,944
Debt Service:					
Redemption of Principal		9,000			9,000
Total Cash Disbursements	<u>46,970</u>	<u>194,113</u>	<u>30,944</u>	<u>0</u>	<u>272,027</u>
Total Cash Receipts Over/(Under) Cash Disbursements	16,332	1,685	0	19	18,036
<b>Other Financing Receipts / (Disbursements):</b>					
Other Financing Sources	942	50			992
Other Financing Uses		(770)			(770)
Total Other Financing Receipts / (Disbursements)	<u>942</u>	<u>(720)</u>	<u>0</u>	<u>0</u>	<u>222</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	17,274	965	0	19	18,258
Fund Cash Balances, January 1	<u>5,663</u>	<u>112,660</u>	<u>0</u>	<u>838</u>	<u>119,161</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 22,937</u></b>	<b><u>\$ 113,625</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 857</u></b>	<b><u>\$ 137,419</u></b>

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

**CARTHAGE TOWNSHIP  
ATHENS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$ 38,066	\$ 56,903	\$	\$ 94,969
Intergovernmental	25,169	112,925		138,094
Earnings on Investments	466	406	18	890
Miscellaneous	4,139			4,139
<b>Total Cash Receipts</b>	<u>67,840</u>	<u>170,234</u>	<u>18</u>	<u>238,092</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	46,328			46,328
Public Safety		22,865		22,865
Public Works	78	96,992		97,070
Health	4,097			4,097
Human Services	1,879			1,879
Debt Service:				
Redemption of Principal	9,784	10,896		20,680
Interest and Fiscal Charges	557	657		1,214
<b>Total Cash Disbursements</b>	<u>62,723</u>	<u>131,410</u>	<u>0</u>	<u>194,133</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<u>5,117</u>	<u>38,824</u>	<u>18</u>	<u>43,959</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Other Financing Sources	1,371			1,371
Other Financing Uses		(2,228)		(2,228)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>1,371</u>	<u>(2,228)</u>	<u>0</u>	<u>(857)</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>6,488</u>	<u>36,596</u>	<u>18</u>	<u>43,102</u>
<b>Fund Cash Balances, January 1 (As Restated, See Note 2)</b>	<u>(825)</u>	<u>76,064</u>	<u>820</u>	<u>76,059</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 5,663</u>	<u>\$ 112,660</u>	<u>\$ 838</u>	<u>\$ 119,161</u>

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

**CARTHAGE TOWNSHIP  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**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 Carthage Township, Athens 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 fire protection.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. Note 7 to the financial statements provide additional information for this entity.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Cash**

The Township values certificates of deposit cost. All other available funds of the Township are in an interest-bearing checking account.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

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

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

**CARTHAGE TOWNSHIP  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

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

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

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

**3. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project Fund:

Issue II Paving Fund – The County performed Issue II paving on behalf of the Township.

**4. 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:

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

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

**CARTHAGE TOWNSHIP  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

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

**E. Budgetary Process (Continued)**

A summary of 2007 and 2006 budgetary activity appears in Note 4.

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

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

**G. Accumulated Leave**

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

**2. Restatement of Fund Balances**

The prior year audit report at December 31, 2005 included the Cemetery Bequest Fund as a Special Revenue Fund rather than a Permanent Fund. This resulted in the following fund balance restatements:

Governmental Funds:	Fund Balance at December 31, 2005	Restatement Amount	Fund Balance at January 1, 2006
Special Revenue	\$ 76,884	\$ (820)	\$ 76,064
Permanent	0	820	820
Total	\$ 76,884	\$ 0	\$ 76,884

**3. Equity in Pooled Cash**

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

	2007	2006
Demand deposits	\$ 136,819	\$ 118,561
Certificates of deposit	600	600
Total deposits	\$ 137,419	\$ 119,161

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

**4. Budgetary Activity**

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

**CARTHAGE TOWNSHIP  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**4. Budgetary Activity (Continued)**

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 39,248	\$ 64,244	\$ 24,996
Special Revenue	167,353	195,848	28,495
Capital Projects	0	30,944	30,944
Permanent	0	19	19
Total	<u>\$ 206,601</u>	<u>\$ 291,055</u>	<u>\$ 84,454</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 76,416	\$ 46,970	\$ 29,446
Special Revenue	248,527	194,883	\$53,644
Capital Projects	0	30,944	(\$30,944)
Permanent	220	0	220
Total	<u>\$ 325,163</u>	<u>\$ 272,797</u>	<u>\$ 52,366</u>

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 34,667	\$ 69,211	\$ 34,544
Special Revenue	150,557	170,234	19,677
Permanent	0	18	18
Total	<u>\$ 185,224</u>	<u>\$ 239,463</u>	<u>\$ 54,239</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 61,725	\$ 62,723	\$ (998)
Special Revenue	198,738	133,638	65,100
Debt Service	220	0	220
Total	<u>\$ 260,683</u>	<u>\$ 196,361</u>	<u>\$ 64,322</u>

Contrary to Ohio Rev. Code Section 5705.41(B), at December 31, 2007, expenditures exceeded appropriations in the General and Special Levy Funds, and at December 31, 2006 in the Road and Bridge, Special Levy and Issue II Funds.

**5. 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.

**CARTHAGE TOWNSHIP  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**5. Property Tax (Continued)**

The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

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

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

**6. Retirement System**

The Township's officials and 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 includes postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5% and 9.0%, respectively, of their gross salaries and the Township contributed an amount equaling 13.85% and 13.7%, respectively, of participants' gross salaries.

The Township has paid all contributions required through December 31, 2007.

**7. Risk Management**

**Risk Pool Membership**

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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). 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 Coverage

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses.

**CARTHAGE TOWNSHIP  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**7. Risk Management (Continued)**

**Risk Pool Membership (Continued)**

Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

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

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, 2007 and 2006:

	2007	2006
Assets	\$ 43,210,703	\$ 42,042,275
Liabilities	(13,357,837)	(12,120,661)
Net Assets	\$ 29,852,866	\$ 29,921,614

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment.

**CARTHAGE TOWNSHIP  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**7. Risk Management (Continued)**

**Risk Pool Membership (Continued)**

The Township's share of these unpaid claims collectible in future years is approximately \$11,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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.

**Contributions to OTARMA**

2005	\$	5,985
2006	\$	6,875
2007	\$	5,941

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary 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.

**8. Contingent Liabilities**

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

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

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

Carthage Township  
Athens County  
23171 Twp. Rd. #119  
Coolville, Ohio 45723

To the Board of Trustees:

We have audited the financial statements of Carthage Township, Athens County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated October 1, 2008, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. 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(B) and 115.56 mandate 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 expressing our opinion on the financial statements, but not to opine 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2007-002 and 2007-003.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2007-002 is also a material weakness.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated October 1, 2008.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2007-001.

We also noted certain noncompliance or other matters that we reported to the Township's management in a separate letter dated October 1, 2008.

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



**Mary Taylor, CPA**  
Auditor of State

October 1, 2008

**CARTHAGE TOWNSHIP  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006**

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

**FINDING NUMBER 2007-001**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

The Township's expenditures exceeded appropriations at the fund level and legal level of control in 2006 as follows:

<b>Fund</b>	<b>Appropriations</b>	<b>Actual Expenditures</b>	<b>Variance</b>
General	\$ 61,725	\$ 62,723	\$ (998)
Special Levy	21,423	22,865	(1,442)

  

<b>Fund</b>	<b>Appropriations</b>	<b>Actual Expenditures</b>	<b>Variance</b>
General - Other	\$ 0	\$ 78	\$ (78)
General - Other Expenses	0	4,096	(4,096)
Special Levy - Other Uses	0	22,500	(22,500)

The Township's expenditures exceeded appropriations at the fund level and legal level of control in 2007 as follows:

<b>Fund</b>	<b>Appropriations</b>	<b>Actual Expenditures</b>	<b>Variance</b>
Road and Bridge	\$ 65,088	\$ 68,349	\$ (3,261)
Special Levy	21,328	24,950	(3,622)
Issue II	0	30,944	(30,944)

  

<b>Fund</b>	<b>Appropriations</b>	<b>Actual Expenditures</b>	<b>Variance</b>
Road & Bridge - Supplies & Materials	\$ 0	\$ 3,262	\$ (3,262)
Special Levy - Contracted Services	0	24,500	(24,500)

This could result in deficit fund balances.

We recommend the Township monitor actual expenditures as compared to appropriations at the legal level of control throughout the fiscal year. Any amended appropriations must be formally approved by Board of Trustees and documented in the minutes.

**Officials' Response:** The Fiscal Officer will try to ensure this does not happen in the future.

**CARTHAGE TOWNSHIP  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

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

**FINDING NUMBER 2007-002**

**Material Weakness - Adjustments and Reclassifications**

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. As a result of the audit procedures performed, the following errors were noted in the financial statements that required audit adjustment or reclassification:

2007:

- Issue II on-behalf payments (\$30,944) were not recorded in the Capital Projects Fund.
- General Fund manufactured home rollback was improperly classified as other financing sources (\$207) rather than General Fund intergovernmental (\$86), Road & Bridge Fund intergovernmental (\$78) and Special Fire Levy (\$43).
- Road & Bridge Fund dust control donations (\$18,891) were improperly classified as taxes rather than miscellaneous revenue.
- General Fund intergovernmental receipts were improperly classified as taxes (\$5,311), Road & Bridge Fund (\$4,657) and Special Fire Levy Fund (\$2,702). This included public utility reimbursements, homestead and rollback, and property tax reimbursements.
- Cemetery Bequest Fund interest (\$18) was improperly classified as General Fund Miscellaneous Revenue (\$9) and Other Financing Sources (\$9).
- Gasoline Tax Fund paving expenditures (\$10,245) were improperly classified as other financing uses rather than public work expenditures.

2006:

- Fund balance adjustments were not made by the Township for the 2005 audit; therefore, beginning fund balances were not adjusted as follows:
  - General Fund decrease (\$27,883),
  - Motor Vehicle License Fund decrease (\$375),
  - Gasoline Tax Fund increase (\$6,175),
  - Road & Bridge Fund increase (\$10,341),
  - Special Fire Levy Fund increase (\$4,483),
  - Permissive Motor Vehicle License Tax Fund increase (\$375), and
  - Miscellaneous Special Revenue Fund increase (\$6,884).
- General Fund FEMA receipts were improperly classified as other financing sources (\$4,366).
- Cemetery Bequest Fund interest (\$18) was improperly classified as General Fund Earnings on Investment (\$9) and Other Financing Sources (\$9).
- Gasoline Tax Fund principal (\$10,896) and interest (\$657) expenditures were improperly classified as public works (\$11,533).
- General Fund principal (\$9,784) and interest (\$557) expenditures were improperly classified as public works (\$10,341).
- Audit fees (\$3,080) were improperly classified as Gasoline Tax Fund other financing uses rather than General Fund general government expenditures.
- UAN fees (\$523) were improperly classified as Gasoline Tax Fund other financing uses (\$124) and Permissive Motor Vehicle License Tax Fund public works expenditures (\$399).
- Special Fire Levy fire contract expenditures (\$22,500) were improperly classified as other financing uses rather than public safety expenditures.

**CARTHAGE TOWNSHIP  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

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

**FINDING NUMBER 2007-002 (Continued)**

**Material Weakness - Adjustments and Reclassifications (Continued)**

All of the above noted adjustments have been posted to the financial statements and to the Township's UAN accounting system.

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, we recommend the Fiscal Officer review the Township Manual for guidance on the correct line item to post various receipts and expenditures of the Township.

**Officials' Response:** The Fiscal Officer will refer to the Township Manual for guidance. The Fiscal Officer made the appropriate adjustments to the UAN system.

**FINDING NUMBER 2007-003**

**Significant Deficiency - Reporting of Approved Budgetary Information**

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

At December 31, 2006, estimated revenue as approved by the Budget Commission did not agree to the Township's accounting system for seven funds. The variances and funds are as follows:

Fund	Estimated Revenue Approved by Budget Commission	Estimated Revenue Posted to UAN System	Variance
General	\$ 34,667	\$ 67,578	\$ 32,911
Motor Vehicle License Tax	20,000	19,300	(700)
Gasoline Tax	74,000	77,150	3,150
Road & Bridge	31,515	60,800	29,285
Special Levy	20,542	25,450	4,908
Permissive Motor Vehicle License Tax	4,500	4,560	60
Permanent	0	20	20

At December 31, 2006, we found appropriations as approved by the Township's Board of Trustees did not agree to the Township's accounting system at the fund level. The variances are as follows:

Fund	Appropriations per Ordinances	Appropriations Posted to UAN System	Variance
General	\$ 61,725	\$ 68,322	\$ (6,596)
Road & Bridge	44,649	45,149	(500)
Special Levy	21,423	44,173	(22,750)

**CARTHAGE TOWNSHIP  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

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

**FINDING NUMBER 2007-003 (Continued)**

**Significant Deficiency - Reporting of Approved Budgetary Information (Continued)**

At December 31, 2007, estimated revenue as approved by the Budget Commission did not agree to the Township's accounting system for six funds. The variances and funds are as follows:

Fund	Estimated Revenue Approved by Budget Commission	Estimated Revenue Posted to UAN System	Variance
General	\$ 39,248	\$ 0	\$ (39,248)
Motor Vehicle License Tax	18,500	0	(18,500)
Gasoline Tax	86,500	0	(86,500)
Road & Bridge	35,680	0	(35,680)
Special Levy	20,673	0	(20,673)
Permissive Motor Vehicle License Tax	6,000	0	(6,000)

At December 31, 2007, we found appropriations as approved by the Township's Board of Trustees did not agree to the Township's accounting system at the fund level. The variances are as follows:

Fund	Appropriations per Ordinances	Appropriations Posted to UAN System	Variance
General	\$ 76,416	\$ 116,416	\$ (40,000)
Gasoline	115,401	127,401	(12,000)
Road & Bridge	65,088	69,088	(4,000)
Speical Levy	21,328	71,097	(49,769)

These adjustments were made to appropriation authority and budgeted receipts reflected in Note 4 of the notes to the financial statements. Due to budgetary information being improperly entered into the system, the management of the Township lost some degree of budgetary control.

We recommend the Fiscal Officer accurately post estimated receipts as certified by the County Budget Commission and appropriations as approved by the Board of Trustees into the computer system and only after receiving approval. This procedure will help ensure more useful comparisons of budget versus actual activity, as well as provide management with an accurate monitoring tool throughout the year.

**Officials' Response:** The Fiscal Officer will try to ensure the amounts agree in the future.

**CARTHAGE TOWNSHIP  
ATHENS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-001	Ohio Rev. Code Section 5705.10 for negative fund balance in the General Fund.	Yes	
2005-002	Ohio Rev. Code Section 5705.41(B) prohibits expenditures to exceed appropriations.	No	Not Corrected. This issue is repeated in our current Schedule of Findings as 2007-001.
2005-003	Reportable Condition for receipts and debt payments being posted incorrectly.	No	Not Corrected. This issue is repeated in our current Schedule of Findings as 2007-002.





**Mary Taylor, CPA**  
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  
NOVEMBER 6, 2008**