



**Mary Taylor, CPA**  
Auditor of State



ETNA TOWNSHIP  
LICKING COUNTY

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Mary Taylor, CPA  
Auditor of State

Etna Township  
Licking County  
9363 Hazelton-Etna Rd. St. Rt. 310  
Etna, OH 43018

To the Board of Trustees:

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

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

October 16, 2009

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Etna Township  
Licking County  
9363 Hazelton-Etna Rd. St. Rt. 310  
Etna, OH 43018

To the Board of Trustees:

We have audited the accompanying financial statements of Etna Township, Licking County, Ohio (the Township) as of and for the years ended December 31, 2008 and 2007. 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.

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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, 2008 and 2007 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, 2008 and 2007, 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 Etna Township, Licking County, Ohio as of December 31, 2008 and 2007, 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 16, 2009, 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 16, 2009



**ETNA TOWNSHIP  
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>			<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>(Memorandum Only)</u>
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 336,353.91	\$ 225,465.53	\$ 26,445.00	\$ 588,264.44
Licenses, Permits, and Fees	47,782.54	-	-	47,782.54
Intergovernmental	133,317.14	154,879.07	-	288,196.21
Special Assessments	-	3,151.22	-	3,151.22
Earnings on Investments	29,864.23	1,653.55	-	31,517.78
Miscellaneous	158,272.78	2,796.85	-	161,069.63
	<u>705,590.60</u>	<u>387,946.22</u>	<u>26,445.00</u>	<u>1,119,981.82</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
General Government	284,696.89	-	-	284,696.89
Public Works	223,946.66	402,407.34	-	626,354.00
Health	34,389.05	-	-	34,389.05
Conservation/Recreation	8,259.03	-	-	8,259.03
Capital Outlay	154,015.92	16,303.50	-	170,319.42
Debt Service:				
Redemption of Principal	-	-	30,890.79	30,890.79
Interest and Other Fiscal Charges	-	-	1,994.37	1,994.37
	<u>705,307.55</u>	<u>418,710.84</u>	<u>32,885.16</u>	<u>1,156,903.55</u>
<b>Total Cash Disbursements</b>				
<b>Total Receipts Over/(Under) Disbursements</b>	<u>283.05</u>	<u>(30,764.62)</u>	<u>(6,440.16)</u>	<u>(36,921.73)</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Transfers-In	193.80	10,783.20	-	10,977.00
Transfers-Out	-	(10,977.00)	-	(10,977.00)
	<u>193.80</u>	<u>(193.80)</u>	<u>-</u>	<u>-</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements</b>	476.85	(30,958.42)	(6,440.16)	(36,921.73)
<b>Fund Cash Balance, January 1</b>	<u>907,495.33</u>	<u>226,736.77</u>	<u>8,292.91</u>	<u>1,142,525.01</u>
<b>Fund Cash Balance, December 31</b>	<u>\$ 907,972.18</u>	<u>\$ 195,778.35</u>	<u>\$ 1,852.75</u>	<u>\$ 1,105,603.28</u>

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

**ETNA TOWNSHIP  
LICKING COUNTY**

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

	Governmental Fund Types				Totals
	General	Special Revenue	Debt Service	Capital Projects	(Memorandum Only)
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$ 329,210.05	\$ 184,647.11	\$ 46,539.41	\$ -	\$ 560,396.57
Licenses, Permits, and Fees	47,541.17	-	-	-	47,541.17
Intergovernmental	93,517.76	143,252.40	-	-	236,770.16
Special Assessments	-	3,038.97	-	-	3,038.97
Earnings on Investments	61,173.37	4,141.56	-	-	65,314.93
Miscellaneous	16,782.76	515.00	-	-	17,297.76
<b>Total Cash Receipts</b>	<b>548,225.11</b>	<b>335,595.04</b>	<b>46,539.41</b>	<b>-</b>	<b>930,359.56</b>
<b>Cash Disbursements:</b>					
Current:					
General Government	364,031.94	-	-	-	364,031.94
Public Works	92,406.96	499,123.83	-	-	591,530.79
Health	31,989.50	-	-	-	31,989.50
Conservation/Recreation	4,627.85	-	-	-	4,627.85
Capital Outlay	943.62	4,878.53	-	34,983.20	40,805.35
Debt Service:					
Redemption of Principal	-	-	26,683.89	-	26,683.89
Interest and Other Fiscal Charges	-	-	3,047.97	-	3,047.97
<b>Total Cash Disbursements</b>	<b>493,999.87</b>	<b>504,002.36</b>	<b>29,731.86</b>	<b>34,983.20</b>	<b>1,062,717.29</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>54,225.24</b>	<b>(168,407.32)</b>	<b>16,807.55</b>	<b>(34,983.20)</b>	<b>(132,357.73)</b>
<b>Other Financing Receipts/(Disbursements):</b>					
Sale of Notes	-	-	-	34,983.20	34,983.20
Sale of Fixed Assets	-	9,001.00	-	-	9,001.00
Transfers-In	-	73,514.64	5,000.00	-	78,514.64
Transfers-Out	(60,000.00)	(5,000.00)	(13,514.64)	-	(78,514.64)
Advances-In	-	16,100.00	16,100.00	-	32,200.00
Advances-Out	-	(16,100.00)	(16,100.00)	-	(32,200.00)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(60,000.00)</b>	<b>77,515.64</b>	<b>(8,514.64)</b>	<b>34,983.20</b>	<b>43,984.20</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements</b>	<b>(5,774.76)</b>	<b>(90,891.68)</b>	<b>8,292.91</b>	<b>-</b>	<b>(88,373.53)</b>
<b>Fund Cash Balance, January 1</b>	<b>913,270.09</b>	<b>317,628.45</b>	<b>-</b>	<b>-</b>	<b>1,230,898.54</b>
<b>Fund Cash Balance, December 31</b>	<b>\$ 907,495.33</b>	<b>\$ 226,736.77</b>	<b>\$ 8,292.91</b>	<b>\$ -</b>	<b>\$ 1,142,525.01</b>

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

**ETNA TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**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 the Etna Township, Licking 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.

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

**B. Accounting Basis**

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

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

**C. Deposits and Investments**

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

**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:

***Motor Vehicle License Tax*** – This fund receives motor vehicle license tax monies for the purpose of construction and repair of township roads.

ETNA TOWNSHIP  
LICKING COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)

1. Summary of Significant Accounting Policies (continued)

D. Fund Accounting (continued)

2. Special Revenue Funds (continued)

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

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

**FEMA Special Revenue Fund** – This fund receives Federal Emergency Management Act (FEMA) grant money for events that are deemed to be disasters.

3. Debt Service Funds

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

**General Bond/Note Retirement Fund** – This fund receives tax monies for the payment of the notes issued for the tractor and the truck.

4. Capital Project Funds

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

**Miscellaneous Capital Projects Fund** – This fund was established to track the purchase of various capital assets.

E. Budgetary Process

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

1. Appropriations

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

**ETNA TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

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

**E. Budgetary Process (continued)**

**3. Encumbrances (continued)**

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.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

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

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

**G. Accumulated Leave**

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

**2. Equity in Pooled Deposits**

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

	2008	2007
Demand deposits	\$1,105,603.28	\$1,142,525.01

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$672,051.47	\$705,784.40	\$33,732.93
Special Revenue	392,023.15	398,729.42	6,706.27
Debt Service	32,800.00	26,445.00	(6,355.00)
Total	\$1,096,874.62	\$1,130,958.82	\$34,084.20

**ETNA TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**3. Budgetary Activity (continued)**

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Expenditures	Variance
General	\$1,250,038.00	\$705,307.55	\$544,730.45
Special Revenue	506,925.00	429,687.84	77,237.16
Debt Service	32,886.00	32,885.16	0.84
Total	\$1,789,849.00	\$1,167,880.55	\$621,968.45

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$523,067.63	\$548,225.11	\$25,157.48
Special Revenue	440,340.95	418,110.68	(22,230.27)
Debt Service	20,272.96	51,539.41	31,266.45
Capital Projects	0.00	34,983.20	34,983.20
Total	\$983,681.54	\$1,052,858.40	\$69,176.86

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Expenditures	Variance
General	\$1,200,034.00	\$553,999.87	\$646,034.13
Special Revenue	577,845.00	509,002.36	68,842.64
Debt Service	48,186.66	43,246.50	4,940.16
Capital Projects	34,983.20	34,983.20	0.00
Total	\$1,861,048.86	\$1,141,231.93	\$719,816.93

Contrary to Ohio law, budgetary appropriations exceeded estimated resources in the General Bond/Note Retirement fund by \$27,914.66 and the Miscellaneous Capital Projects Fund by \$34,983.20 for the year ended December 31, 2007.

**4. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

**ETNA TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**4. Property Tax (continued)**

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

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

**5. Debt**

Debt outstanding at December 31, 2008 was as follows:

	Principal	Interest Rate
2006 Tractor	\$6,657	5.10%
2008 Ford F350	\$15,229	5.08%
Total	\$21,886	

The Township has two loans with Park National Bank for the above listed vehicles. The Township's taxing authority collateralized the loans.

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

	2006 Tractor	2008 F350 Truck
Year ending December 31:		
2009	\$6,728	\$12,613
2010	0	3,153
Total	\$6,728	\$15,766

**6. Retirement Systems**

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

For 2008 and 2007, OPERS members contributed 10% and 9.50% respectively, of their gross salaries and the Township contributed an amount equaling 14% and 13.85%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

**7. Risk Management**

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.

**ETNA TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**7. Risk Management (continued)**

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. 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 PEP'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 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

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. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 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 (the latest information available):

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



**ETNA TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**7. Risk Management (continued)**

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. The Township's share of these unpaid claims collectible in future years is approximately \$14,000. 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.

<u>Contributions to OTARMA</u>	
2006	\$14,318
2007	\$14,913
2008	\$14,403

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.

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# 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*

Etna Township  
Licking County  
9363 Hazelton-Etna Rd. St. Rt. 310  
Etna, OH 43018

To the Board of Trustees:

We have audited the financial statements of Etna Township, Licking County, Ohio (the Township) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated October 16, 2009, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township 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 a 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.

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We consider findings 2008-001 and 2008-002 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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. We believe finding number 2008-001 and 2008-002 are also material weaknesses.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-003.

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



**Mary Taylor, CPA**  
Auditor of State

October 16, 2009

**ETNA TOWNSHIP  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007**

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

**FINDING NUMBER 2008-001**

**Significant Deficiency/Material Weakness - Budgetary Amounts in the Accounting System**

The Fiscal Officer should have procedures in place to prevent or detect material misstatements for the accurate presentation of the Township's financial statements, including budgetary information.

The following differences were noted between the amended certificates of estimated resources certified by the budget commission and the amounts entered into the accounting system:

**Estimated Resources**

**FY2008**

<b>Fund</b>	<b>County Amended Est. Resources</b>	<b>UAN Year End Est. Resources</b>	<b>Variances</b>
General	\$ 1,579,546.80	\$ 1,613,823.68	\$ (34,276.88)
Special Revenue	618,759.92	629,455.97	(10,696.05)
Debt Service	41,092.91	41,178.91	(86.00)
<b>Total:</b>	<b>\$ 2,228,092.96</b>	<b>\$ 2,122,432.42</b>	<b>\$ 105,660.54</b>

**FY2007**

<b>Fund</b>	<b>County Amended Est. Resources</b>	<b>UAN Year End Est. Resources</b>	<b>Variances</b>
General	\$ 1,436,336.96	\$ 1,414,089.33	\$ 22,247.63
Special Revenue	757,969.40	689,728.45	68,240.95
Debt Service	33,786.60	18,614.64	15,171.96
<b>Total:</b>	<b>\$ 2,228,092.96</b>	<b>\$ 2,122,432.42</b>	<b>\$ 105,660.54</b>

**ETNA TOWNSHIP  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2008-001 (continued)**

**Significant Deficiency/Material Weakness - Budgetary Amounts in the Accounting System**  
(continued)

**Appropriations**

**FY2007**

<b>Fund</b>	<b>County Appropriation Budget</b>	<b>UAN Year End Appropriations</b>	<b>Variances</b>
Special Revenue	\$ 577,845.00	\$ 642,945.00	\$(65,100.00)

Failure to properly submit amended appropriations and/or estimated resources to the County could result in management making decisions regarding Township operations based on inaccurate data.

We recommend the Fiscal Officer submit all changes to estimated resources and appropriations and be certified by the County before entering the information into the UAN system. The Board of Trustees should review UAN reports to ensure the proper amounts have been entered into the accounting system.

Footnote 3 has been adjusted to properly reflect the correct estimated receipts and appropriations.

*Note: All budgetary numbers were submitted to the Licking County Auditor at the required level of control.*

ETNA TOWNSHIP  
LICKING COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007  
(Continued)

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

FINDING NUMBER 2008-002

**Financial Statement Presentation – Material Weakness**

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

The Fiscal Officer did not always accurately post revenues to the Township's ledgers. The following posting errors were noted:

- Property and Other Local Tax Receipts were posted as Other Debt Proceeds. (2007- Debt Service Fund- \$46,539) (2008- Debt Service Fund- \$26,445).
- Redemption of Principal disbursements were posted as Capital Outlay. (2007- Debt Service Fund \$26,684) (2008- Debt Service Fund- \$30,891).
- Sale of Notes was posted as Other Debt Proceeds. (2007- Capital Project Fund \$34,983).
- Intergovernmental receipts were posted as Property and Other Local Tax receipts (2008 General Fund: \$24,877) (2008 Special Revenue Fund: \$17,555).
- Transfers In/Out were misclassified as Advances in the Special Revenue Fund and Debt Service Funds. (2007: \$13,515, \$5,000)

All of the above were material and were posted to the financial statements.

- Intergovernmental Revenues were posted to Property & Other Local Taxes (2008- General Fund \$24,877; Special Revenue Fund \$17,555).
- Licenses, Permits, and Fees were posted as Miscellaneous Receipts (2008- General Fund \$8,165)

These amounts were not material and financial statement adjustments were not made.

Not posting revenues and disbursements accurately to the ledgers resulted in the financial statements requiring numerous audit reclassification entries.

We recommend the Township's Fiscal Officer take steps to ensure the accurate posting of tax revenue, intergovernmental revenue, debt proceeds, transfers, advances, and all disbursements. Cash receipts and disbursements should be posted in accordance with procedures and guidelines established in the Uniform Accounting Network line item descriptions. By exercising accuracy in recording financial activity, the Township Trustees will have accurate financial data to assist them in making financial decisions throughout the year.

ETNA TOWNSHIP  
LICKING COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007  
(Continued)

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

FINDING NUMBER 2008-003

**Appropriations Exceeding Estimated Resources**

Ohio Rev. Code Section 5705.39 states that total appropriations from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Total appropriations exceeded the total estimated resources in the following funds as follows:

<u>Date</u>	<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
12/31/2007	Debt Service	\$ 20,272.00	\$ 48,186.66	\$ (27,914.66)
12/31/2007	Capital Projects	\$ -	\$ 34,983.20	\$ (34,983.20)

This could result in the Township expending more money than it receives and could cause possible negative fund balances. A lack of funds may result in the Township being unable to meet its current obligations.

We recommend the Township ensure that estimated resources are sufficient to cover appropriations at the time of certification or amendment.

**Officials' Response:** We did not receive a response from Officials to the findings reported above.



**ETNA TOWNSHIP  
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 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>
2006-01	Noncompliance and Significant Deficiency- Financial Statement Presentation	No	Reissued as Finding 2008-002





Mary Taylor, CPA  
Auditor of State

**ETNA TOWNSHIP**

**LICKING COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 1, 2009**