



Dave Yost • Auditor of State

**CARTHAGE TOWNSHIP
ATHENS COUNTY**

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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, 2015 and 2014.

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 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 1 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 of 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, 2015 and 2014, or 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 combined cash balances of Carthage Township, Athens County, Ohio, as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 permits, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2016, 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.



Dave Yost
Auditor of State
Columbus, Ohio

July 11, 2016

**CARTHAGE TOWNSHIP
ATHENS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$50,227	\$153,690	\$0	\$203,917
Charges for Services	0	700	0	700
Intergovernmental	21,914	110,693	0	132,607
Earnings on Investments	132	57	0	189
Miscellaneous	2,178	479	0	2,657
<i>Total Cash Receipts</i>	<u>74,451</u>	<u>265,619</u>	<u>0</u>	<u>340,070</u>
Cash Disbursements				
Current:				
General Government	52,467	0	0	52,467
Public Safety	0	45,783	0	45,783
Public Works	244	240,099	0	240,343
Health	0	10,367	0	10,367
Human Services	1,100	0	0	1,100
Conservation-Recreation	0	1	0	1
<i>Total Cash Disbursements</i>	<u>53,811</u>	<u>296,250</u>	<u>0</u>	<u>350,061</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>20,640</u>	<u>(30,631)</u>	<u>0</u>	<u>(9,991)</u>
Other Financing Receipts				
Other Financing Sources	1,273	14,300	0	15,573
<i>Total Other Financing Receipts</i>	<u>1,273</u>	<u>14,300</u>	<u>0</u>	<u>15,573</u>
<i>Net Change in Fund Cash Balances</i>	21,913	(16,331)	0	5,582
<i>Fund Cash Balances, January 1</i>	<u>22,961</u>	<u>100,031</u>	<u>2,172</u>	<u>125,164</u>
Fund Cash Balances, December 31				
Nonspendable	0	0	2,172	2,172
Restricted	0	64,258	0	64,258
Committed	0	19,442	0	19,442
Assigned	44,874	0	0	44,874
<i>Fund Cash Balances, December 31</i>	<u>\$44,874</u>	<u>\$83,700</u>	<u>\$2,172</u>	<u>\$130,746</u>

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

**CARTHAGE TOWNSHIP
ATHENS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$44,869	\$134,650	\$0	\$179,519
Charges for Services	0	400	0	400
Intergovernmental	14,775	131,028	0	145,803
Earnings on Investments	108	62	1	171
Miscellaneous	950	9,191	0	10,141
<i>Total Cash Receipts</i>	<u>60,702</u>	<u>275,331</u>	<u>1</u>	<u>336,034</u>
Cash Disbursements				
Current:				
General Government	51,634	0	0	51,634
Public Safety	0	30,242	0	30,242
Public Works	0	247,639	0	247,639
Health	0	12,157	0	12,157
Human Services	39	0	0	39
Conservation-Recreation	0	6,922	0	6,922
<i>Total Cash Disbursements</i>	<u>51,673</u>	<u>296,960</u>	<u>0</u>	<u>348,633</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>9,029</u>	<u>(21,629)</u>	<u>1</u>	<u>(12,599)</u>
Other Financing Receipts				
Other Financing Source	1,122	289	0	1,411
<i>Total Other Financing Receipts</i>	<u>1,122</u>	<u>289</u>	<u>0</u>	<u>1,411</u>
<i>Net Change in Fund Cash Balances</i>	10,151	(21,340)	1	(11,188)
<i>Fund Cash Balances, January 1</i>	<u>12,810</u>	<u>121,371</u>	<u>2,171</u>	<u>136,352</u>
Fund Cash Balances, December 31				
Nonspendable	0	0	2,172	2,172
Restricted	0	74,824	0	74,824
Committed	0	25,207	0	25,207
Assigned	22,961	0	0	22,961
<i>Fund Cash Balances, December 31</i>	<u>\$22,961</u>	<u>\$100,031</u>	<u>\$2,172</u>	<u>\$125,164</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, 2015 AND 2014**

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 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 protection services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool. Note 6 to the financial statements provides additional information for these entities

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 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.

C. Deposits

The Township had one primary, interest bearing checking account and a certificate of deposit during the audit period.

D. Fund Accounting

The Township uses fund accounting to segregate cash that is 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, 2015 AND 2014
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

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

3. 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 Township's programs (for the benefit of the government or its citizenry). The Township had the following significant permanent fund:

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over and need not be reappropriated.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

**CARTHAGE TOWNSHIP
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

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.

G. Property, Plant, and Equipment

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

2. Equity in Pooled Deposits

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

**CARTHAGE TOWNSHIP
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

2. Equity in Pooled Deposits (Continued)

	2015	2014
Demand deposits	\$129,146	\$123,564
Certificates of deposit	1,600	1,600
Total deposits	\$130,746	\$125,164

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$64,053	\$75,724	\$11,671
Special Revenue	271,086	279,919	8,833
Total	\$335,139	\$355,643	\$20,504

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$57,922	(\$57,922)
Special Revenue	0	297,504	(297,504)
Total	\$0	\$355,426	(\$355,426)

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$64,053	\$61,824	(\$2,229)
Special Revenue	271,086	275,620	4,534
Permanent	1	1	0
Total	\$335,140	\$337,445	\$2,305

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$82,536	\$76,785	\$5,751
Special Revenue	375,582	296,960	78,622
Permanent	2,172	0	2,172
Total	\$460,290	\$373,745	\$86,545

Contrary to Ohio Rev. Code § 5705.38 and 5705.41(B), the Township failed to pass an appropriation resolution in 2015 resulting in all expenditures made absent proper appropriation authority. Also, contrary to Ohio Rev. Code § 5705.10 (I), the Fire Levy Fund incurred a negative cash fund balance as of December 31, 2015.

**CARTHAGE TOWNSHIP
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

4. Property Tax

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

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

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

5. Retirement System

The Township's elected 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 include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10%, respectively, of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

6. Risk Management

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. 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, 2015, 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
DECEMBER 31, 2015 AND 2014
(Continued)**

6. 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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Assets	\$37,313,311	\$35,970,263
Liabilities	8,418,518	8,912,432
Net Position	\$28,894,793	\$27,057,831

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$5,000.

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.

Contributions to OTARMA	
<u>2015</u>	<u>2014</u>
\$9,759	\$8,689

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.



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 Carthage Township, Athens County, Ohio (the Township), as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated July 11, 2016, wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

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 opinion 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 2015-001 through 2015-004 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 2015-001 through 2015-004.

Entity's Responses to Findings

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.

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 communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

July 11, 2016

**CARTHAGE TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2015-001

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.38(A) 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 Trustees failed to pass an appropriation resolution for 2015. As a result, all expenditures in 2015 were made absent of the legal appropriation authority. The Trustees also failed to approve the 2014 appropriations until February 10, 2014 which was not timely. Further, budgetary expenditures exceeded appropriation authority as of December 31, 2014, by \$657 in the Fire Special Levy Fund.

Failure to approve appropriations can lead to questions as to legality of expenditures and can cause disputes over expenditures made.

The 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.

Official's Response: Carthage Township Trustees and Fiscal office are aware that a meeting needs to be held and will have a meeting and do a temporary appropriation budget.

FINDING NUMBER 2015-002

Noncompliance and Material Weakness

Ohio Admin. Code §§ 117-2-01(D)(3) and (5) provides 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 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. Failure to perform regular reconciliations identifying all reconciling factors resulted in inaccurate financial information and reduced effectiveness of Trustee monitoring.

The Fiscal Officer should prepare monthly bank reconciliations in a timely manner so that reconciling items can be easily identified and corrections, if necessary, can be made in a timely manner. These reconciliations should be reviewed and approved by the Board of Trustees at monthly meetings.

Official's Response: The Fiscal Officer is making every attempt to reconcile bank statements in a timely fashion. I have been keeping the trustees informed each month that I've been unable to reconcile the bank statement. Hoping this will change when audit is finished.

**CARTHAGE TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2015-003

Noncompliance and Material Weakness

Ohio Admin Code § 117-2-02(A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

Ohio Rev. Code § 5705.10(I) provides that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another fund.

The Fiscal Officer posted certain revenue and expenditures transactions incorrectly resulting in material audit adjustments and a negative fund balance in the Fire Levy Fund at December 31, 2015 of \$4,538.

For the year ended December 31, 2014, the following items were noted:

General Fund

- The Township carried bank reconciling errors resulting in a decrease in earnings on investment of \$41 and a decrease in intergovernmental receipts of \$581.
- The Township misposted expenditures as to fund and function resulting in a decrease in human services of \$1,194 and an increase in general government of \$4,953.
- Miscellaneous receipts were posted to the wrong fund resulting in a decrease in miscellaneous receipts of \$1,890.
- Intergovernmental receipts, such as homestead and rollback, were misposted as property and other local taxes. Also, failure to post amounts at gross and other minor mispostings resulting in a decrease in property and other local taxes of \$3,188, an increase in intergovernmental of \$3,895, a decrease in other financing sources of \$1,588 and an increase in general government expenditures of \$150.

Special Revenue Funds

- The Township carried bank reconciling errors resulting in:
 - Motor Vehicle License Tax Fund - a decrease in earnings on investment of \$7 and a decrease in intergovernmental receipts of \$358.
 - Gasoline Tax Fund - a decrease in earnings on investments of \$7 and a decrease in intergovernmental receipts of \$7,401.
 - Permissive Motor Vehicle License Tax Fund - a decrease in earnings on investments of \$2 and a decrease in intergovernmental receipts of \$666.
- Miscellaneous receipts were posted to the wrong fund resulting in an increase in miscellaneous receipts of \$1,890 in the Gasoline Tax Fund.
- Intergovernmental receipts, such as homestead and rollback, were misposted as property and other local tax resulting in:
 - Road and Bridge Fund - an increase in intergovernmental of \$3,432, a decrease in property and other local taxes of \$2,898, a decrease in other financing sources of \$192, and an increase in public works expenditures of \$27.
 - Road District Special Levy Fund - a decrease in property and other local taxes of \$4,341, an increase in intergovernmental receipts of \$5,141, a decrease in miscellaneous receipts of \$287, and an increase in public works expenditures of \$41.

**CARTHAGE TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2015-003 (Continued)

Noncompliance and Material Weakness - Ohio Admin Code § 117-2-02(A) (Continued)

- Fire Special Levy Fund - a decrease in in property and other local taxes of \$1,382, an increase in intergovernmental of \$1,636, a decrease in other financing sources of \$91, and an increase in public safety expenditures of \$13.
- Cemetery Special Levy Fund - an increase in property and other local taxes of \$10,008, an increase in intergovernmental of \$1,998, a decrease in charges for services of \$11,895, and an increase in health expenditures of \$17 .
- Gasoline Tax Fund - a decrease in intergovernmental receipts and increase in miscellaneous receipts of \$446.
- The Township misposted expenditures as to fund and function resulting in:
 - Motor Vehicle License Tax Fund - a decrease in public works expenditures of \$600.
 - Gasoline Tax Fund- a decrease in conservation expenditures of \$11,418 and an increase in public works expenditures of \$7,254.
 - Road and Bridge Fund - a decrease in human services expenditures and an increase in public works expenditures of \$9,955.
 - Fire Special Levy Fund - a decrease in other financing uses of \$4,900 and an increase in public safety expenditures of \$5,480.
 - Cemetery Special Levy Fund - a decrease in general government expenditures of \$1,467, a decrease in public works expenditures of \$10,149, and an increase in health expenditures of \$12,140.
 - Permissive Motor Vehicle License Tax Fund - a decrease in public works expenditures of \$99.
- Cemetery sales were posted to the wrong fund resulting in an increase in charges for services of \$400 in the Cemetery Special Levy Fund.
- The Township improperly classified the portion of the Road and Bridge Fund equity according to GASB 54. This increased Committed Fund Cash Balances and decreased Restricted Fund Cash Balances \$24,892.

Permanent Funds

- Cemetery sales were posted to the wrong fund resulting in a decrease in other financing sources of \$400 in the Permanent Fund.
- The Township improperly classified the portion of the Permanent Fund equity according to GASB 54 relating to cemetery endowment. This increased Nonspendable Fund Cash Balances and decreased Restricted Fund Cash Balances \$1,600.

For the year ended December 31, 2015, the following items were noted:

General Fund

- The Township carried bank reconciling errors resulting in an increase in earnings on investment of \$40, an increase in intergovernmental receipts of \$823, an increase in public works expenditures of \$244, and a decrease in miscellaneous receipts of \$75.
- The Township misposted expenditures as to fund and function resulting in a decrease in human services expenditures of \$3,115 and an increase in general government expenditures of \$3,951.
- The Township improperly classified the portion of the General Fund equity according to GASB 54. This increased Assigned Fund Cash Balances and decreased Unassigned Fund Cash Balances \$44,874.

**CARTHAGE TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

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

FINDING NUMBER 2015-003 (Continued)

Noncompliance and Material Weakness - Ohio Admin Code § 117-2-02(A) (Continued)

Special Revenue Funds

- The Township carried bank reconciling errors resulting in:
 - Motor Vehicle License Tax Fund - an increase in earnings on investments of \$6 and an increase in intergovernmental receipts of \$2,264.
 - Gasoline Tax Fund - an increase in earnings on Investments of \$7, an increase in public works expenditures of \$2,633, and a decrease in intergovernmental receipts of \$3,016.
 - Permissive Motor Vehicle License Tax Fund - an increase in earnings on investments of \$3 and a decrease in intergovernmental receipts of \$581.
 - Fire Special Levy Fund - a decrease in miscellaneous receipts of \$5,000.
- The Township misposted expenditures as to fund and function resulting in:
 - Motor Vehicle License Tax Fund - a decrease in public works expenditures of \$132.
 - Gasoline Tax Fund - a decrease in conservation expenditures of \$5,418 and an increase in public works expenditures of \$4,619.
 - Road and Bridge Fund - a decrease in public works expenditures of \$37.
 - Fire Special Levy Fund - a decrease in public safety expenditures of \$42.
 - Cemetery Special Levy Fund - a decrease in general government expenditures of \$8,458, a decrease in public works expenditures of \$168, a decrease in public safety expenditures of \$1,567 and an increase in health expenditures of \$10,367.
- Cemetery sales were posted to the wrong fund resulting in an increase in Charges for Services of \$700 in the Cemetery Special Levy Fund.
- The Township improperly classified the portion of the Road and Bridge Fund equity according to GASB 54. This increased Committed Fund Cash Balances and decreased Restricted Fund Cash Balances \$19,090.

Permanent Funds

- Cemetery sales were posted to the wrong fund resulting in a decrease in Other Financing Sources of \$700 in the Permanent Fund.
- The Township improperly classified the portion of the Permanent Fund equity according to GASB 54 relating to cemetery endowment. This increased Nonspendable Fund Cash Balances and decreased Restricted Fund Cash Balances \$1,600.

The following represents the cumulative effect of the adjustments listed above on the respective fund cash balances as of December 31, 2015:

Fund	Unadjusted 12/31/15 Fund Balance	Audit Adjustment	Adjusted 12/31/15 Fund Balance
1000 General	\$52,318	(\$7,444)	\$44,874
2011 Motor Vehicle License Tax	24,909	2,637	27,546
2021 Gasoline Tax	21,828	(6,197)	15,631
2031 Road and Bridge	19,090	352	19,442
2141 Special Levy - Road District	6,657	472	7,129
2191 Special Levy -Fire	850	(5,388)	(4,538)
2192 Special Levy - Cemetery	6,376	496	6,872
2231 Permissive Motor Vehicle License Tax	12,761	(1,147)	11,614
4951 Permanent	3,272	(1,100)	2,172

**CARTHAGE TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

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

FINDING NUMBER 2015-003 (Continued)

Noncompliance and Material Weakness - Ohio Admin Code § 117-2-02(A) (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, and are reflected in the accompanying financial statements.

The Fiscal Officer should refer to the Ohio Township Handbook 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 sources of the receipts and expenditures.

Official's Response: The Fiscal Officer is making every attempt to make sure that all monies are put in the correct accounts.

FINDING NUMBER 2015-004

Noncompliance and Material Weakness

Ohio Admin. Code § 117-2-02(C)(1) provides that all local public offices 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, 2015, budgeted receipts posted to the system varied materially from the approved certificate of estimated resources as follows:

Fund	Estimated Receipts, as Posted	Estimated Receipts, as Certified	Variance
General Fund	\$68,284	\$66,418	\$1,866
Gasoline Tax	101,545	88,000	13,545
Special Levy - Fire	46,675	34,201	12,474
Special Levy - Cemetery	34,472	12,876	21,596

At December 31, 2014, budgeted receipts posted to the system varied materially from the approved certificate of estimated resources as follows:

Fund	Estimated Receipts, as Posted	Estimated Receipts, as Certified	Variance
General Fund	\$64,553	\$64,053	\$500
Special Levy - Fire	29,551	23,052	6,499

**CARTHAGE TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2015-004
(Continued)**

Noncompliance and Material Weakness - Ohio Admin. Code Section 117-2-02(C)(1) (Continued)

At December 31, 2015, appropriations posted to the system varied materially from those approved by the Trustees as follows:

Fund	Appropriations, as Posted	Appropriations, as Adopted	Variance
General Fund	\$96,680	\$0	\$96,680
Motor Vehicle License Tax	37,044	0	37,044
Gasoline Tax	121,463	0	121,463
Road and Bridge	74,327	0	74,327
Cemetery Fund	400	0	400
Special Levy Road District	81,170	0	81,170
Special Levy - Fire	48,839	0	48,839
Special Levy - Cemetery	17,135	0	17,135
Permissive Motor Vehicle License Tax	12,558	0	12,558
Permanent Fund	2,572	0	2,572

At December 31, 2014, appropriations posted to the system varied materially from those approved by the Trustees as follows:

Fund	Appropriations, as Posted	Appropriations, as Adopted	Variance
Gasoline Tax	\$127,739	\$125,239	\$2,500
Special Levy - Fire	30,592	24,092	6,500

The Fiscal Officer posted changes to budgetary information in the accounting system without obtaining Trustee approval. As a result, the Board lost some degree of control and was unable to effectively monitor and report its budget vs. actual status throughout the year.

The Fiscal Officer should accurately post estimated receipts, as certified by the County Budget Commission, to the accounting system to help ensure more useful comparisons of budgeted and actual activity and provide management with an accurate monitoring tool. Further, the Fiscal Officer should ensure appropriations in the accounting system agree to Trustee approved amounts.

Official's Response: The Fiscal Officer is making every effort to keep the trustees informed about the budget and how much money is in each account.

**CARTHAGE TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Ohio Rev. Code § 5705.41(B) – Expenditures exceeded formally adopted appropriations.	No	Repeated as Finding Number 2015-001.
2013-002	Ohio Admin . Code § 117-2-02(A) – Failure to maintain support for certain receipts.	No	Partially corrected. Repeated in a separate letter to management.
2013-003	Ohio Admin . Code § 117-2-02(A) – Material mispostings requiring financial statement adjustment.	No	Repeated as Finding Number 2015-003.
2013-004	Ohio Admin . Code § 117-2-02(C)(1) – Budgeted amounts posted to the system did not agree to the amounts formally adopted/certified.	No	Repeated as Finding Number 2015-004.
2013-005	Material Weakness for lack of Board review and monitoring of bank reconciliations and budget to actual information.	No	Repeated as Finding Number 2015-002.

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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
JULY 28, 2016**