

---

*ALGER & ASSOCIATES, Inc*

CERTIFIED PUBLIC ACCOUNTANTS



---

CHARLESTOWN TOWNSHIP

PORTAGE COUNTY, OHIO

**REGULAR AUDIT**

A R A

FOR THE YEARS ENDED

DECEMBER 31, 2011 & 2010





# Dave Yost • Auditor of State

Board of Trustees  
Charlestown Township  
5735 Newton Falls Road  
Ravenna, Ohio 44266

We have reviewed the *Independent Accountants' Report* of Charlestown Township, Portage County, prepared by Alger & Associates, LLC, for the audit period January 1, 2010 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Charlestown Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

June 25, 2012

**This page intentionally left blank.**

**CHARLESTOWN TOWNSHIP  
PORTAGE COUNTY**

**TABLE OF CONTENTS**

| <b>TITLE</b>                                                                                                                                                                  | <b>PAGE</b> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| Independent Accountants' Report .....                                                                                                                                         | 1           |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in<br>Fund Cash Balances - All Governmental Fund Types -<br>For the Year Ended December 31, 2011 .....   | 3           |
| Statement of Cash Receipts, Cash Disbursement, and Changes in<br>Fund Cash Balance – Fiduciary Fund Type<br>For the Year Ended December 31, 2011 .....                        | 4           |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in<br>Fund Cash Balances - All Governmental Fund Types -<br>For the Year Ended December 31, 2010 .....   | 5           |
| Statement of Cash Receipts, Cash Disbursement, and Changes in<br>Fund Cash Balance – Fiduciary Fund Type<br>For the Year Ended December 31, 2010 .....                        | 6           |
| Notes to the Financial Statements .....                                                                                                                                       | 7           |
| Independent Accountants' Report on Internal Control Over<br>Financial Reporting and on Compliance and Other Matters<br>Required by <i>Government Auditing Standards</i> ..... | 17          |
| Schedule of Findings .....                                                                                                                                                    | 19          |
| Schedule of Prior Audit Findings .....                                                                                                                                        | 22          |

**THIS PAGE INTENTIONALLY LEFT BLANK.**



# ALGER & ASSOCIATES, Inc

Certified Public Accountants

## INDEPENDENT ACCOUNTANTS' REPORT

Charlestown Township  
Portage County  
5735 Newton Falls Rd.  
Ravenna, OH 44266

To the Board of Trustees:

We have audited the accompanying financial statements of Charlestown Township, Portage County, (the Township) as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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.

6927 Burgundy Ave. NW  
North Canton, OH 44720  
Phone - 330-353-5851  
FAX - 330-526-8778

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of Charlestown Township, Portage County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2012, 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.

Alger & Associates, Inc  
March 30, 2012



**CHARLESTOWN TOWNSHIP  
PORTAGE COUNTY**

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

|                                                       | Governmental Fund Types |                    |                     | Totals            |
|-------------------------------------------------------|-------------------------|--------------------|---------------------|-------------------|
|                                                       | General                 | Special<br>Revenue | Capital<br>Projects | (Memorandum Only) |
| <b>Cash Receipts:</b>                                 |                         |                    |                     |                   |
| Property and Other Local Taxes                        | \$54,867                | \$79,750           | \$0                 | \$134,617         |
| Licenses, Permits and Fees                            | 18,622                  | 4,585              | 0                   | 23,207            |
| Intergovernmental                                     | 56,582                  | 91,317             | 122,796             | 270,695           |
| Earnings on Investments                               | 255                     | 448                | 0                   | 703               |
| Miscellaneous                                         | 442                     | 6,075              | 0                   | 6,517             |
| <b>Total Cash Receipts</b>                            | <b>130,768</b>          | <b>182,175</b>     | <b>122,796</b>      | <b>435,739</b>    |
| <b>Cash Disbursements:</b>                            |                         |                    |                     |                   |
| Current:                                              |                         |                    |                     |                   |
| General Government                                    | 103,208                 | 24,553             | 0                   | 127,761           |
| Public Safety                                         | 8,194                   | 12,697             | 0                   | 20,891            |
| Public Works                                          | 5,081                   | 117,530            | 0                   | 122,611           |
| Health                                                | 10,564                  | 390                | 0                   | 10,954            |
| Conservation-Recreation                               | 13,206                  | 0                  | 0                   | 13,206            |
| Capital Outlay                                        | 4,785                   | 106,162            | 86,810              | 197,757           |
| <b>Total Cash Disbursements</b>                       | <b>145,038</b>          | <b>261,332</b>     | <b>86,810</b>       | <b>493,180</b>    |
| <b>Total Receipts Over/(Under) Disbursements</b>      | <b>(14,270)</b>         | <b>(79,157)</b>    | <b>35,986</b>       | <b>(57,441)</b>   |
| <b>Other Financing Receipts/(Disbursements):</b>      |                         |                    |                     |                   |
| Sale of Capital Assets                                | 0                       | 8,000              | 0                   | 8,000             |
| <b>Total Other Financing Receipts/(Disbursements)</b> | <b>0</b>                | <b>8,000</b>       | <b>0</b>            | <b>8,000</b>      |
| <b>Net Change in Fund Cash Balances</b>               | <b>(14,270)</b>         | <b>(71,157)</b>    | <b>35,986</b>       | <b>(49,441)</b>   |
| <b>Fund Cash Balance, January 1</b>                   | <b>216,225</b>          | <b>614,113</b>     | <b>3,914</b>        | <b>834,252</b>    |
| <b>Fund Cash Balance, December 31</b>                 |                         |                    |                     |                   |
| Restricted                                            | 0                       | 542,956            | 39,900              | 582,856           |
| Unassigned (Deficit)                                  | 201,955                 | 0                  | 0                   | 201,955           |
| <b>Fund Cash Balance, December 31</b>                 | <b>\$201,955</b>        | <b>\$542,956</b>   | <b>\$39,900</b>     | <b>\$784,811</b>  |

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

**CHARLESTOWN TOWNSHIP  
PORTAGE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2011**

|                                            | <u>Fiduciary<br/>Fund Type</u><br><u>Private Purpose<br/>Trust</u> |
|--------------------------------------------|--------------------------------------------------------------------|
| <b>Operating Cash Receipts:</b>            |                                                                    |
| Earnings on Investments (trust funds only) | \$145                                                              |
| <b>Operating Cash Disbursements:</b>       |                                                                    |
| Supplies and Materials                     | 116                                                                |
| Net Change in Fund Cash Balances           | 29                                                                 |
| Fund Cash Balance, January 1               | 21,645                                                             |
| <b>Fund Cash Balance, December 31</b>      | <u><u>\$21,674</u></u>                                             |

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

**CHARLESTOWN TOWNSHIP  
PORTAGE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

|                                                  | Governmental Fund Types |                    |                     | Totals            |
|--------------------------------------------------|-------------------------|--------------------|---------------------|-------------------|
|                                                  | General                 | Special<br>Revenue | Capital<br>Projects | (Memorandum Only) |
| <b>Cash Receipts:</b>                            |                         |                    |                     |                   |
| Property and Other Local Taxes                   | \$59,498                | \$80,696           | \$0                 | \$140,194         |
| Licenses, Permits, and Fees                      | 170                     | 4,290              | 0                   | 4,460             |
| Intergovernmental                                | 89,285                  | 98,484             | 49,468              | 237,237           |
| Earnings on Investments                          | 332                     | 610                | 0                   | 942               |
| Miscellaneous                                    | 1,649                   | 1,125              | 0                   | 2,774             |
| <b>Total Cash Receipts</b>                       | <b>150,934</b>          | <b>185,205</b>     | <b>49,468</b>       | <b>385,607</b>    |
| <b>Cash Disbursements:</b>                       |                         |                    |                     |                   |
| Current:                                         |                         |                    |                     |                   |
| General Government                               | 106,449                 | 18,263             | 0                   | 124,712           |
| Public Safety                                    | 37,377                  | 5,200              | 0                   | 42,577            |
| Public Works                                     | 5,143                   | 114,497            | 0                   | 119,640           |
| Health                                           | 13,476                  | 255                | 0                   | 13,731            |
| Conservation/Recreation                          | 12,311                  | 0                  | 0                   | 12,311            |
| Capital Outlay                                   | 1,960                   | 4,516              | 45,600              | 52,076            |
| Debt Service:                                    |                         |                    |                     |                   |
| Redemption of Principal                          | 0                       | 46,771             | 0                   | 46,771            |
| Interest and Other Fiscal Charges                | 0                       | 1,279              | 0                   | 1,279             |
| <b>Total Cash Disbursements</b>                  | <b>176,716</b>          | <b>190,781</b>     | <b>45,600</b>       | <b>413,097</b>    |
| <b>Total Receipts Over/(Under) Disbursements</b> | <b>(25,782)</b>         | <b>(5,576)</b>     | <b>3,868</b>        | <b>(27,490)</b>   |
| Fund Cash Balance, January 1                     | 242,007                 | 619,689            | 46                  | 861,742           |
| <b>Fund Cash Balance, December 31</b>            | <b>\$216,225</b>        | <b>\$614,113</b>   | <b>\$3,914</b>      | <b>\$834,252</b>  |

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

**CHARLESTOWN TOWNSHIP  
PORTAGE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

|                                                      | <b>Fiduciary<br/>Fund Type</b>   |
|------------------------------------------------------|----------------------------------|
|                                                      | <b>Private Purpose<br/>Trust</b> |
| <b>Non-Operating Receipts/Disbursements</b>          |                                  |
| Earnings on Investments                              | \$295                            |
| Total Non-Operating Receipts/Disbursements           | 295                              |
| Fund Cash Balance, January 1                         | 21,350                           |
| <b>Fund Cash Balance, December 31 - (See Note 7)</b> | <b>\$21,645</b>                  |

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

**CHARLESTOWN TOWNSHIP  
PORTAGE COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Charlestown Township, Portage 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, fire protection and emergency medical services.

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

Public Entity Risk Pool:

OTARMA provides property and casualty coverage for its members.

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 investments purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values certificates of deposit and U.S. Treasury notes at costs. Money market mutual funds (including Star Ohio) are recorded at share values the mutual funds report.

**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:

**CHARLESTOWN TOWNSHIP  
PORTAGE COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**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:

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

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

Fire Levy Fund – This fund’s receipts are generated from a restricted Township tax levy and are only to be utilized to assist in providing fire protection for the residents of the Township.

**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 Fund – The Township received a grant from the State of Ohio for Knapp Road Slide Repair & Guardrail.

**4. Fiduciary Funds**

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

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

CHARLESTOWN TOWNSHIP  
PORTAGE COUNTY

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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 unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

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

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

F. Fund Balance

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

1. Nonspendable

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

CHARLESTOWN TOWNSHIP  
PORTAGE COUNTY

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

2. **Restricted**

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

3. **Committed**

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

4. **Assigned**

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

5. **Unassigned**

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

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

**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.



**CHARLESTOWN TOWNSHIP  
PORTAGE COUNTY**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Township maintains a cash and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31, 2011 and 2010 are as follows:

|                                | 2011      | 2010      |
|--------------------------------|-----------|-----------|
| Demand deposits                | \$446,686 | \$496,290 |
| Certificate of deposit         | 15,274    | 15,275    |
| Total deposits                 | 461,960   | 511,565   |
| U.S. Treasury Notes            | 500       | 500       |
| STAR Ohio                      | 344,025   | 343,832   |
| Total investments              | 344,525   | 344,332   |
| Total deposits and investments | \$806,485 | \$855,897 |

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

**Investments:** The Federal Reserve holds the Township's U.S. Treasury Notes in book-entry form by, of the Township's financial institution. The financial institution maintains records identifying the Township as owner of these securities.

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**3. BUDGETARY ACTIVITY**

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

| 2011 Budgeted vs. Actual Receipts |                      |                    |            |
|-----------------------------------|----------------------|--------------------|------------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance   |
| General                           | \$107,650            | \$130,768          | \$23,118   |
| Special Revenue                   | 186,831              | 190,175            | 3,344      |
| Capital Projects                  | 226,846              | 122,796            | (104,050)  |
| Private Purpose Trust             | 350                  | 145                | (205)      |
| Total                             | \$521,677            | \$443,884          | (\$77,793) |

**CHARLESTOWN TOWNSHIP  
PORTAGE COUNTY**

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

**3. BUDGETARY ACTIVITY – (continued)**

| 2011 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |           |
|-------------------------------------------------------|----------------------------|---------------------------|-----------|
| Fund Type                                             | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
| General                                               | \$290,000                  | \$145,038                 | \$144,962 |
| Special Revenue                                       | 561,000                    | 261,332                   | 299,668   |
| Capital Projects                                      | 226,892                    | 86,810                    | 140,082   |
| Private Purpose Trust                                 | 5,000                      | 116                       | 4,884     |
| Total                                                 | \$1,082,892                | \$493,296                 | \$589,596 |

| 2010 Budgeted vs. Actual Receipts |                      |                    |            |
|-----------------------------------|----------------------|--------------------|------------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance   |
| General                           | \$132,162            | \$150,934          | \$18,772   |
| Special Revenue                   | 183,090              | 185,205            | 2,115      |
| Capital Projects                  | 120,200              | 49,468             | (70,732)   |
| Private Purpose Trust             | 0                    | 295                | 295        |
| Total                             | \$435,452            | \$385,902          | (\$49,550) |

| 2010 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |           |
|-------------------------------------------------------|----------------------------|---------------------------|-----------|
| Fund Type                                             | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
| General                                               | \$320,000                  | \$176,716                 | \$143,284 |
| Special Revenue                                       | 676,000                    | 190,781                   | 485,219   |
| Capital Projects                                      | 120,200                    | 45,600                    | 74,600    |
| Private Purpose Trust                                 | 5,000                      | 0                         | 5,000     |
| Total                                                 | \$1,121,200                | \$413,097                 | \$708,103 |

Contrary to Ohio law, the Public Works fund's appropriations exceeded actual available resources by \$70,732 and \$29,450 at December 31, 2010 and December 31, 2011 respectively.

**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

**CHARLESTOWN TOWNSHIP  
PORTAGE COUNTY**

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

**4. PROPERTY TAX – (continued)**

Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

**5. RETIREMENT SYSTEMS**

Most Township employees belong to the Ohio Public Employees Retirement System (OPERS). The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

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

**6. RISK MANAGEMENT**

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010,

**CHARLESTOWN TOWNSHIP  
PORTAGE COUNTY**

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

**6. RISK MANAGEMENT – (continued)**

OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

OTARMA’s financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the latest information available).

|             | <u>2010</u>         | <u>2009</u>         |
|-------------|---------------------|---------------------|
| Assets      | \$35,855,252        | \$38,982,088        |
| Liabilities | <u>(10,664,724)</u> | <u>(12,880,766)</u> |
| Net Assets  | <u>\$25,190,528</u> | <u>\$26,101,322</u> |

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively.

These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Township’s share of these unpaid claims collectible in future years is approximately \$9,733.

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> |             |
|--------------------------------|-------------|
| <u>2011</u>                    | <u>2010</u> |
| \$13,153                       | \$10,539    |

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.

**CHARLESTOWN TOWNSHIP  
PORTAGE COUNTY**

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

**6. RISK MANAGEMENT – (continued)**

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.

**7. Fund Balance Restatements**

The Township redeemed two HH Bonds for \$1,000 and receipted the revenues into the Private Purpose Fund. The adjustments made by the Township are as follows:

|                                      | <u>Private Purpose Fund</u> |
|--------------------------------------|-----------------------------|
| Fund Cash Balance, December 31, 2010 | \$22,645                    |
| Before Adjustments                   |                             |
| Adjustments Made by Township         | <u>(1,000)</u>              |
| Fund Cash Balance, December 31, 2010 | <u><u>\$21,645</u></u>      |

**This page intentionally left blank.**



# ALGER & ASSOCIATES, Inc

Certified Public Accountants

---

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

Charlestown Township  
Portage County  
5735 Newton Falls Rd.  
Ravenna, OH 44266

To the Board of Trustees:

We have audited the financial statements Charlestown Township, Portage County, Ohio (the Township), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated March 30, 2012, 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 that the Township implemented GASB 54 during 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

*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 more than a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and timely corrected. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We consider findings 2011-001 through 2011-003 described in the accompanying schedule of findings to be material weaknesses.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-001 & 2011-002.

We did note certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated March 30, 2012.

The Township's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

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

Alger & Associates, Inc  
March 30, 2012



**CHARLESTOWN TOWNSHIP  
PORTAGE COUNTY**

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

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

**FINDING NUMBER 2011-001**

**Material Non-Compliance**

1. Ohio Rev. Code Section 5705.41 (D), states no orders or contracts involving the expenditure of money are to be made unless a certificate signed by the Fiscal Officer is attached. The Fiscal Officer must certify that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

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

1. Then and Now Certificate: If the fiscal officer can certify that both at the time that the contract or order was made "then" at the time that he is completing his certification "now", sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$100 for counties, or less than \$3,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During our testing we noted 8 of the 73 transactions tested the District did not certify funds were available at the time of the commitment for the expenditures made from the Fire Department grants received. Incurring obligations prior to the Fiscal Officer’s certification could result in the District spending more than appropriated. The District did not meet any of the exceptions stated above.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

To improve controls over disbursements and to help reduce the possibility of the District’s funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to obligation by the District. When prior certification is not possible, “then and now” certification should be used.

We recommend the District certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied.

The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Implementation of the recommendation may help the District come into compliance with the Ohio Revised Code.

#### **FINDING NUMBER 2011-002**

2. Ohio Rev. Code Section 5705.36 (A) (4) requires obtaining a reduced amended certificate in the amount of the deficiency will reduce available resources below the current level of appropriations. The Township had appropriations in excess of total available resources (which is beginning unencumbered balance plus actual receipts) in the Public Works Fund by \$29,450 at December 31, 2010 and \$70,732 at December 31, 2011.

We recommend the Township Fiscal Officer and Trustees monitor the actual receipts, especially towards year-end, and compare to the estimated resources as certified by the County Budget Commission. Should it be determined that the actual receipts will fall below the estimated, a request should be made by the Fiscal Officer to reduce the certified resources and an appropriate

reduction should be made to the fund appropriations by resolution of the Board of Township Trustees.

**FINDING NUMBER 2011-003**

**Financial Reporting – Material Weakness**

Sound financial reporting is the responsibility of the Township Fiscal Officer and the Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

As a result of our audit, we identified material reclassifications in the Township’s financial statements for both 2011 and 2010. We provided these reclassifications to management who subsequently corrected the financial statements.

To ensure the Township’s financial statements and notes to the financial statements are complete and accurate, we recommend Township implement sufficient control procedures over the financial reporting process in order to enable management to prevent and detect potential misstatements in the financial statements and footnotes.

The Township Fiscal Officer should review the Township Manual for guidance on the correct line item to post various receipts and expenditures of the Township.

|                             |
|-----------------------------|
| <b>OFFICIALS’ RESPONSES</b> |
|-----------------------------|

As the Fiscal Officer of Charlestown Township, I will review the matter of the classifications and will also review the Township Manual for future reference when posting.

**CHARLESTOWN TOWNSHIP  
PORTAGE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
YEARS ENDING DECEMBER 31, 2011 AND 2010**

| <b>Finding<br/>Number</b> | <b>Finding<br/>Summary</b>           | <b>Fully<br/>Corrected?</b> | Not Corrected, Partially<br>Corrected; Significantly<br>Different Corrective Action<br>Taken; or Finding No Longer<br>Valid; <i>Explain</i> |
|---------------------------|--------------------------------------|-----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|
| 2009-001                  | <b>Sound Financial<br/>Reporting</b> | No                          |                                                                                                                                             |



# Dave Yost • Auditor of State

CHARLESTOWN TOWNSHIP

PORTAGE 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 05, 2012