



**Auditor of State  
Betty Montgomery**



**AUGUSTA TOWNSHIP  
CARROLL COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Governmental Fund Types - For the Year Ended December 31, 2005.....	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Non Expendable Trust Fund For the Year Ended December 31, 2005.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Governmental Fund Types - For the Year Ended December 31, 2004.....	7
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Non Expendable Trust Fund For the Year Ended December 31, 2004.....	8
Notes to the Financial Statements .....	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	15
Schedule of Findings .....	17
Schedule of Prior Audit Findings.....	19

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**Auditor of State  
Betty Montgomery**

Augusta Township  
Carroll County  
9160 Andora Road  
East Rochester, Ohio 44625

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

August 9, 2006

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Augusta Township  
Carroll County  
9160 Andora Road  
East Rochester, Ohio 44625

To the Board of Trustees:

We have audited the accompanying financial statements of Augusta Township, Carroll County, (the Township) as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above 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, 2005 and 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Augusta Township, Carroll County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2006, 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.



**Betty Montgomery**  
Auditor of State

August 9, 2006



**AUGUSTA TOWNSHIP  
CARROLL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$36,554	\$41,325	\$77,879
Intergovernmental	14,832	109,462	124,294
Special Assessments		1,457	1,457
Earnings on Investments	276	84	360
Micellaneous	0	5,474	5,474
	<u>51,662</u>	<u>157,802</u>	<u>209,464</u>
<b>Total Cash Receipts</b>			
	<u>51,662</u>	<u>157,802</u>	<u>209,464</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	57,487	0	57,487
Public Safety	0	31,848	31,848
Public Works	0	125,677	125,677
Health	7,703	0	7,703
Debt Service:			
Redemption of Principal		454	454
Interest and Fiscal Charges		94	94
Capital Outlay	686	17,517	18,203
	<u>65,876</u>	<u>175,590</u>	<u>241,466</u>
<b>Total Cash Disbursements</b>			
	<u>65,876</u>	<u>175,590</u>	<u>241,466</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(14,214)</u>	<u>(17,788)</u>	<u>(32,002)</u>
<b>Other Financing Receipts and (Disbursements):</b>			
Proceeds from Loan		12,167	12,167
Other Sources	2,512	4,572	7,084
Other Uses		(6,854)	(6,854)
	<u>2,512</u>	<u>9,885</u>	<u>12,397</u>
<b>Total Other Financing Receipts/(Disbursements)</b>			
	<u>2,512</u>	<u>9,885</u>	<u>12,397</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/ (Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(11,702)</u>	<u>(7,903)</u>	<u>(19,605)</u>
<b>Fund Cash Balances, January 1</b>	<u>29,358</u>	<u>37,553</u>	<u>66,911</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$17,656</u></u>	<u><u>\$29,650</u></u>	<u><u>\$47,306</u></u>

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

**AUGUSTA TOWNSHIP  
CARROLL COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
NON-EXPENDABLE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Non expendable Trust</u>
<b>Cash Receipts:</b>	
Earnings on Investments	<u>108</u>
Total Cash Receipts	<u>108</u>
<b>Cash Disbursements:</b>	
Current:	
Supplies & Materials	<u>0</u>
Total Cash Disbursements	<u>0</u>
Total Receipts (Under) Disbursements	<u>108</u>
Fund Cash Balances, January 1	<u>6,446</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$6,554</u></u></b>

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

**AUGUSTA TOWNSHIP  
CARROLL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$34,334	\$40,663	\$74,997
Intergovernmental	15,942	100,019	115,961
Special Assessments		1,864	1,864
Earnings on Investments	177	53	230
Miscellaneous	0	4,476	4,476
<b>Total Cash Receipts</b>	<u>50,453</u>	<u>147,075</u>	<u>197,528</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	41,840	0	41,840
Public Safety	0	30,083	30,083
Public Works	0	118,899	118,899
Health	8,642	0	8,642
Capital Outlay	582	3,728	4,310
<b>Total Cash Disbursements</b>	<u>51,064</u>	<u>152,710</u>	<u>203,774</u>
Total Receipts Over/(Under) Disbursements	(611)	(5,635)	(6,246)
<b>Other Financing Receipts and (Disbursements):</b>			
Transfers-In	0	2,000	2,000
Transfers-Out	(2,000)	0	(2,000)
Other Sources	70	4,133	4,203
Other Uses	0	(4,133)	(4,133)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(1,930)</u>	<u>2,000</u>	<u>70</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(2,541)	(3,635)	(6,176)
Fund Cash Balances, January 1	<u>31,899</u>	<u>41,188</u>	<u>73,087</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$29,358</b></u>	<u><b>\$37,553</b></u>	<u><b>\$66,911</b></u>

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

**AUGUSTA TOWNSHIP  
CARROLL COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
NON-EXPENDABLE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Non expendable Trust</u>
<b>Cash Receipts:</b>	
Earnings on Investments	<u>53</u>
Total Cash Receipts	<u>53</u>
<b>Cash Disbursements:</b>	
Current:	
Supplies & Materials	<u>0</u>
Total Cash Disbursements	<u>0</u>
Total Receipts Over Disbursements	<u>53</u>
Fund Cash Balances, January 1	<u>6,393</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$6,446</u></u></b>

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

**AUGUSTA TOWNSHIP  
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**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 Augusta Township, Carroll County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general governmental services including road and bridge and cemetery maintenance. The Township contracts with the Augusta Township Volunteer Fire Department and Minerva Fire Department to provide fire protection services.

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

**B. Basis of Accounting**

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

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

**C. Cash and Investments**

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

The Township maintains an interest bearing checking account used by all funds. No other investments are held by the Township. Certificates of deposit are valued at cost.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

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

**AUGUSTA TOWNSHIP  
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

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

**3. Fiduciary Funds (Nonexpendable Trust Fund)**

This fund is used to account for resources restricted by a legally binding trust agreement. The Township had the following fiduciary fund:

*Mt Zion Cemetery Fund* – This fund is classified as a nonexpendable trust fund. Interest from the trust is used for the maintenance of the 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 level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**2. Estimated Resources**

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

**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 2005 and 2004 budgetary activity appears in Note 3.

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

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

**G. Accumulated Leave**

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

**AUGUSTA TOWNSHIP  
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(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 was as follows:

Demand Deposits	48,860	68,357
Certificates of Deposit	<u>5,000</u>	<u>5,000</u>
Total deposits	<u><u>\$53,860</u></u>	<u><u>\$73,357</u></u>

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$51,453	\$54,174	\$2,721
Special Revenue	156,097	174,541	18,444
Trust	50	108	58
Total	<u><u>\$207,600</u></u>	<u><u>\$228,823</u></u>	<u><u>\$21,223</u></u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$83,703	\$65,876	\$17,827
Special Revenue	186,802	182,444	4,358
Trust	1,000	0	1,000
Total	<u><u>\$271,505</u></u>	<u><u>\$248,320</u></u>	<u><u>\$23,185</u></u>

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$48,154	\$50,523	\$2,369
Special Revenue	132,530	153,208	20,678
Trust	13	53	40
Total	<u><u>\$180,697</u></u>	<u><u>\$203,784</u></u>	<u><u>\$23,087</u></u>

**AUGUSTA TOWNSHIP  
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

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

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$80,053	\$53,064	\$26,989
Special Revenue	175,826	156,843	18,983
Trust	963	0	963
Total	\$256,842	\$209,907	\$46,935

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt 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.

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

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

**5. DEBT**

Debt outstanding at December 31, 2005 was as follows:

	Principal	Interest Rate
Truck Note	\$12,167	3.75%

The 2005 Truck Note was issued for \$12,167 at an interest rate of 3.75% for the road department. The note was entered into on October 21, 2005 for a period of 4 years to be re-paid by property tax revenues.

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

Year ending December 31:	2005 Trucks Note
2006	\$3,280
2007	3,280
2008	3,280
2009	3,006
Total	\$12,846



**AUGUSTA TOWNSHIP  
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**6. RETIREMENT SYSTEMS**

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2005.

**7. RISK MANAGEMENT**

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

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

The Government belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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

**AUGUSTA TOWNSHIP  
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**7. RISK MANAGEMENT - (Continued)**

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

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

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, 2005 and 2004:

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	(12,344,576)	(11,086,379)
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>

<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	(1,406,031)	(543,176)
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

The Casualty Coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment. The Township's share of these unpaid claims is approximately \$9,870.



## Auditor of State Betty Montgomery

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

Augusta Township  
Carroll County  
9160 Andora Road  
East Rochester, Ohio 44625

To the Board of Trustees:

We have audited the financial statements of Augusta Township, Carroll County (the Township) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated August 9, 2006, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated August 9, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **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 one instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2005-001. We also noted immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated August 9, 2006, which we deemed immaterial.

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Augusta Township  
Carroll County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of the management and Board of Trustees. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

August 9, 2006

**AUGUSTA TOWNSHIP  
CARROLL COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2005-001**

**Ohio Rev. Code Section 5705.41(D)** states that no orders or contracts involving the expenditure of money are to be made unless a certificate signed by the fiscal office is attached. The fiscal officer must certify that the amount required for the order or contract has been lawfully appropriated and is 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 both at the time that the contract or order was made "then" at the time that the fiscal officer is completing the 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 encumbrances, 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.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance 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 Township.

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 Township 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 office for most professional services, fuel, oil, food items, and any other specific recurring and 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.

The Township did not always encumber funds at the time of the commitment. We noted that 9 out of the 30 expenditures tested in 2004 and 9 out of the 30 expenditures tested in 2005 were not properly encumbered. Incurring obligations prior to the fiscal officer's certification could result in the Township spending more than appropriated. Unless the exceptions noted above are used, prior certification is not only required by statute but is key control in the disbursement process to assure that purchase commitments receive prior approval.

**AUGUSTA TOWNSHIP  
CARROLL COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**FINDING NUMBER 2005-001 – (Continued)**

To improve controls over disbursements and to help reduce the possibility of the Township'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 Township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Township 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 Township 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.

Client's Response: The Board of Trustees have agreed the fiscal officer will be made aware of upcoming purchases so that the fiscal officer can properly certify these expenditures and purchases deemed necessary under a short notice will utilize then and now certificates.

**AUGUSTA TOWNSHIP  
CARROLL COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FYE DECEMBER 31, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2003-001	Ohio Revised Code 5705.41(D), failure to Encumber funds	No	Not corrected, will repeat for the current audit period as 2005-001







**Auditor of State  
Betty Montgomery**

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**AUGUSTA TOWNSHIP**

**CARROLL COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 9, 2006**