



**FALLS TOWNSHIP
MUSKINGUM COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**FALLS TOWNSHIP
TABLE OF CONTENTS**

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 1999	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 1998	4
Notes to the Financial Statements	5
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11
Schedule of Findings	13

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REPORT OF INDEPENDENT ACCOUNTANTS

Falls Township
Muskingum County
670 Mar Sue Drive
Zanesville, Ohio 43701

To the Board of Trustees:

We have audited the accompanying financial statements of Falls Township, Muskingum County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998. 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Falls Township, Muskingum County, as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2000 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 grants.

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

May 9, 2000

**FALLS TOWNSHIP
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$54,749	\$378,744	\$10,575		\$444,068
Intergovernmental	541,435	115,712		\$46,660	703,807
Licenses, Permits, and Fees		7,284			7,284
Earnings on Investments	6,353	3,574			9,927
Other Revenue	10,993	2,900			13,893
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	613,530	508,214	10,575	46,660	1,178,979
Cash Disbursements:					
Current:					
General Government	316,481				316,481
Public Safety		167,830			167,830
Public Works	12,070	265,603			277,673
Health		7,290			7,290
Conservation - Recreation	1,131				1,131
Debt Service:					
Redemption of Principal			10,000		10,000
Interest and Fiscal Charges			575		575
Capital Outlay				46,660	46,660
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	329,682	440,723	10,575	46,660	827,640
Total Receipts Over/(Under) Disbursements	283,848	67,491			351,339
Fund Cash Balances, January 1	334,700	309,225		351	644,276
Fund Cash Balances, December 31	<u>\$618,548</u>	<u>\$376,716</u>	<u>\$0</u>	<u>\$351</u>	<u>\$995,615</u>

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

**FALLS TOWNSHIP
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$59,193	\$311,084	\$24,898	\$	\$395,175
Intergovernmental	270,370	87,281			357,651
Licenses, Permits, and Fees		5,595			5,595
Earnings on Investments	6,276	3,184			9,460
Other Revenue	9,434	5,250			14,684
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	345,273	412,394	24,898		782,565
Cash Disbursements:					
Current:					
General Government	164,847	200			165,047
Public Safety		87,371			87,371
Public Works	12,096	212,448			224,544
Health	939	8,934			9,873
Conservation - Recreation	2,806				2,806
Debt Service:					
Redemption of Principal			23,000		23,000
Interest and Fiscal Charges			1,898		1,898
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	180,688	308,953	24,898		514,539
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	164,585	103,441			268,026
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	170,115	205,784		351	376,250
Fund Cash Balances, December 31	<hr/> \$334,700	<hr/> \$309,225	<hr/> \$0	<hr/> \$351	<hr/> \$644,276

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

**FALLS TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Falls Township, Muskingum County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with Falls Township Volunteer Fire Department to provide fire 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 prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to 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 Funds:

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

Fire District Fund - This fund receives tax monies assessed and levied on general assessed valuation of real and personal property taxes for fire and ambulance services.

3. Debt Service Fund

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following significant Debt Service Fund:

General Note Retirement Fund - This fund receives revenue for the retirement of debt.

**FALLS TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

4. Capital Project Fund

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project Fund:

Issue II Fund - This fund receives grant monies from the Muskingum County Engineer, which was originally from the State of Ohio, to replace a culvert.

D. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

F. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Township.

FALLS TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

2. EQUITY IN POOLED CASH

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$995,615	\$644,276
Total deposits	<u>\$995,615</u>	<u>\$644,276</u>

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$432,285	\$613,530	\$181,245
Special Revenue	487,407	508,214	20,807
Debt Service	10,575	10,575	0
Capital Projects	0	46,660	46,660
Total	<u>\$930,267</u>	<u>\$1,178,979</u>	<u>\$248,712</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$419,560	\$329,682	\$89,878
Special Revenue	783,900	440,723	343,177
Debt Service	10,575	10,575	0
Capital Projects	0	46,660	(46,660)
Total	<u>\$1,214,035</u>	<u>\$827,640</u>	<u>\$386,395</u>

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$134,830	\$345,273	\$210,443
Special Revenue	424,813	412,394	(12,419)
Debt Service	24,898	24,898	0
Total	<u>\$584,541</u>	<u>\$782,565</u>	<u>\$198,024</u>

FALLS TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

3. BUDGETARY ACTIVITY (Continued)

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$299,738	\$180,688	\$119,050
Special Revenue	574,521	308,953	265,568
Debt Service	24,898	24,898	0
Capital Projects	351	0	351
Total	\$899,508	\$514,539	\$384,969

The Township made some disbursements during 1999 and 1998 without first obtaining the certification of the availability of funds from the Clerk contrary to Ohio Revised Code Section 5705.41(D).

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, 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

Township employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

6. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

The Township also provides health insurance, life insurance and dental coverage to full-time employees through a private carrier.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Falls Township
Muskingum County
670 Mar Sue Drive
Zanesville, Ohio 43701

To the Board of Trustees:

We have audited the accompanying financial statements of Falls Township, Muskingum County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated May 9, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 1999-41060-001 and 1999-41060-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated May 9, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 1999-41060-003.

A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated May 9, 2000.

This report is intended for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized flourish at the end.

Jim Petro
Auditor of State

May 9, 2000

**FALLS TOWNSHIP
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-41060-001

Finding Repaid Under Audit

Ohio Rev. Code Section 507.09 states that a Township Clerk shall be entitled to annual compensation of \$12,000 (for terms of office beginning prior to May 8, 1996) when the Township's budget is between \$750,001 and \$1,500,000 and shall be entitled to annual compensation of \$14,000 when the Township's budget is between \$1,500,001 and \$3,500,000.

The Township's budget increased to above \$1,500,000 on March 22, 1999 which allowed for an increase in the Clerk's rate of pay. The Township's Clerk, Ed Kenily, was paid for two months of service during 1999 at the rate of \$1,000 per month (under the \$12,000 salary rate) and was paid \$1,166.66 per month for the remaining 10 months (under the \$14,000 salary rate). However, the Clerk's pay should have been calculated on a daily basis (i.e., calculated using the \$12,000 salary for 21 days of March and using the \$14,000 salary for the remaining 10 days of March). A recap of the overpayment is as follows:

1999 salary paid	\$13,667
1999 salary authorized	<u>13,563</u>
1999 overpayment	<u>\$ 104</u>

A finding for recovery is hereby issued against Ed Kenily, Clerk of Falls Township, in the amount of \$104 and in favor of Falls Township. The Clerk paid \$104 to Falls Township with check number 2566 on April 5, 2000.

FINDING NUMBER 1999-41060-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer 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.

The following exceptions to this basic requirement are provided by statute:

- A. Then and Now Certificate - This exception provides that, if the fiscal officer can certify that both at the time the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the taxing authority can authorize the drawing of a warrant. 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 \$1,000 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.

**FALLS TOWNSHIP
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 1999-41060-002 (Continued)

Noncompliance Citation (Continued)

Fiscal officers may prepare so-called "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding 3 months or running beyond 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.

In addition to these blanket certificates, a subdivision may also make expenditures and contracts from a specific line-item appropriation account in a specified fund over \$5,000 upon certification of the fiscal officer 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 fiscal year or in the case of counties, beyond the quarterly spending plan established by the County Commissioners.

The Township did not obtain the Clerk's prior certification of the availability of funds for 30 percent of the transactions we tested, nor was there evidence of a "then and now" certificate being used by the Clerk. In addition, for 1999 the Township issued only blanket and super blanket purchase orders. This would cause non-recurring transactions to be paid using a blanket or super blanket purchase order.

We recommend that the Township obtain the Clerk's prior certification for all disbursements. Also, we recommend the Township only issue blanket and super blanket purchase orders for recurring type transactions.

FINDING NUMBER 1999-41060-003

Reportable Condition

The Township had several deposits which were not made in a timely manner including one item in 1998 for \$123,118 that was disbursed from the County to the Township on September 10 but was not deposited until December 3. If checks are not deposited within a reasonable time period (i.e., 24 hours), the checks could get lost or misplaced.

We recommend that the Township deposit money in a more timely manner.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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FALLS TOWNSHIP

MUSKINGUM 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
JUNE 15, 2000**