



**FALLS TOWNSHIP
MUSKINGUM COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001 - 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

FALLS TOWNSHIP
MUSKINGUM COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
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, 2001	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2000	4
Notes to the Financial Statements	5
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	9
Schedule of Findings	11
Schedule of Prior Audit Findings	12

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REPORT OF INDEPENDENT ACCOUNTANTS

Falls Township
Muskingum County
P.O. Box 511
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, 2001 and 2000. 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 *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, 2001 and 2000, 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 January 31, 2002 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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.

Jim Petro
Auditor of State

January 31, 2002

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FALLS TOWNSHIP
MUSKINGUM COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$66,785	\$449,182	\$	\$515,967
Intergovernmental	263,518	121,464	33,619	418,601
Licenses, Permits, and Fees		6,762		6,762
Earnings on Investments	8,329	4,685		13,014
Other Revenue	8,655	11,179		19,834
	<u>347,287</u>	<u>593,272</u>	<u>33,619</u>	<u>974,178</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	230,619	716		231,335
Public Safety		62,294		62,294
Public Works	11,590	288,039		299,629
Health	600	9,111		9,711
Capital Outlay			33,619	33,619
	<u>242,809</u>	<u>360,160</u>	<u>33,619</u>	<u>636,588</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	104,478	233,112	0	337,590
Fund Cash Balances, January 1	<u>723,565</u>	<u>374,916</u>	<u>351</u>	<u>1,098,832</u>
Fund Cash Balances, December 31	<u>\$828,043</u>	<u>\$608,028</u>	<u>\$351</u>	<u>\$1,436,422</u>

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

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$55,761	\$396,279	\$	\$452,040
Licenses, Permits, and Fees		8,084		8,084
Intergovernmental	278,714	117,058	32,863	428,635
Earnings on Investments	7,358	4,139		11,497
Other Revenue	6,261	1,200		7,461
	<u>348,094</u>	<u>526,760</u>	<u>32,863</u>	<u>907,717</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	226,359	760		227,119
Public Safety		161,826		161,826
Public Works	15,938	355,576		371,514
Health	500	10,398		10,898
Capital Outlay			32,863	32,863
Conservation - Recreation	280			280
	<u>243,077</u>	<u>528,560</u>	<u>32,863</u>	<u>804,500</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	105,017	(1,800)	0	103,217
Fund Cash Balances, January 1	<u>618,548</u>	<u>376,716</u>	<u>351</u>	<u>995,615</u>
Fund Cash Balances, December 31	<u>\$723,565</u>	<u>\$374,916</u>	<u>\$351</u>	<u>\$1,098,832</u>

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

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

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, fire protection, and emergency management service.

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. 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 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 Levy Fund - This fund receives tax money for the operation of the Township's volunteer fire department.

3. Capital Project Fund

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township's significant Capital Project Fund was the Issue II Fund - This fund receives Ohio Public Works Commission monies to repair Township Roads.

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 reappropriated in the subsequent year.

A summary of 2001 and 2000 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.

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 deposits at December 31 was as follows:

	<u>2001</u>	<u>2000</u>
Demand deposits	<u>\$1,436,422</u>	<u>\$1,098,832</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and December 31, 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$111,323	\$347,287	\$235,964
Special Revenue	585,280	593,272	7,992
Capital Projects	33,619	33,619	0
Total	\$730,222	\$974,178	\$243,956

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$809,600	\$242,809	\$566,791
Special Revenue	761,000	360,160	400,840
Capital Projects	33,619	33,619	0
Total	\$1,604,219	\$636,588	\$967,631

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$177,566	\$348,094	\$170,528
Special Revenue	500,895	526,760	25,865
Capital Projects	32,863	32,863	0
Total	\$711,324	\$907,717	\$196,393

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$791,946	\$243,077	\$548,869
Special Revenue	848,000	528,560	319,440
Capital Project	32,863	32,863	0
Total	\$1,672,809	\$804,500	\$868,309

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Township 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 payments, 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.

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

4. PROPERTY TAX (Continued)

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

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

5. RETIREMENT SYSTEMS

The Township's employees, as well as elected officials, belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement 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 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% for the periods January 1, 2001 through December 31, 2001 and from January 1, 2000 through June 30, 2000. For the period July 1, 2000 through December 31, 2000 PERS temporarily reduced the employer's contribution rate to 8.13% of participants gross salaries. The Township has paid all contributions required through December 31, 2001.

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 coverage to its officials and 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
P.O. Box 511
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, 2001 and 2000, and have issued our report thereon dated January 31, 2002. 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 *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 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 such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2001-41060-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in separate letter dated January 31, 2002.

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 of financial reporting that, in our judgment, 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 conditions are described in the accompanying Schedule of Findings as items 2001-41060-001 and 2001-41060-002.

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 consider items 2001-41060-001 and 2001-41060-002 to be material weaknesses. 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 the management of the Township in a separate letter dated January 31, 2002.

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.

Jim Petro
Auditor of State

January 31, 2002

FALLS TOWNSHIP
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 21, 2001 AND 2000

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

FINDING NUMBER 2001-41060-001

Finding for Adjustment

Ohio Rev. Code Section 5705.10 requires all revenue derived from a specific source to be credited to a special fund for the purpose for which the monies were received. During our testing, we noted fifteen occasions where receipts were credited to improper funds. In accordance with the foregoing facts, a finding for adjustment is hereby issued against, and in favor of, the following funds, in the following amounts:

<u>Fund</u>	<u>Against</u>	<u>In Favor Of</u>
General	\$309,841	
Motor Vehicle License Tax Fund	\$2,809	
Gasoline Tax Fund		\$2,809
Road and Bridge Fund		\$202,343
Fire Fund		\$107,498

As of the date of this report, Township management was in agreement with the aforementioned adjustment and this adjustment has been posted to the Township's records.

In addition to certain revenue being credited to improper funds, our testing also indicated that on ten occasions, receipts were posted to improper classifications on the Township's records. Certain expenditures were also improperly classified. As a result, reclassifications were made in order to fairly present cash transactions in the annual financial report.

We recommend the Township Clerk follow the Chart of Accounts as prescribed in the Township Handbook when posting revenue and expenditure activity to the cashbook, receipts ledger and appropriations ledger. Proper posting to funds and accounts will help ensure the accuracy of the annual financial report of the Township.

FINDING NUMBER 2001-41060-002

Reportable Condition - Estimated Receipts

The Township Clerk should post to each receipts account the estimated amount of money anticipated to be received as recorded in its official estimate of balances and receipts set forth in the certificates of estimated resources.

The Township receipts ledger did not reflect the amounts on the Amended Certificate of Estimated Resources that was filed and approved by the County Auditor. This resulted in inaccurate budget to actual revenue comparisons in the annual report and for use as a basis for managing the Township for both years under audit.

We recommend budgeted and actual receipts be posted to the receipts ledger as recommended in Ohio Admin. Code Section 117-2-02 (D) (2) (effective July 1, 2000), to provide useful monthly budget vs. actual comparisons to assist management in monitoring Township operations.

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 21, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-41060-001	Ohio Rev. Code Section 507.09 - overpayment of Clerk's salary	Yes	This finding was repaid in the under the prior audit. Our testing revealed no problems with compensation.
1999-41060-002	Ohio Rev. Code Section 5705.41 (D) - failure to certify funds	Yes	Our testing noted the Township certified funds properly.
1999-41060-003	Township deposits were not made in a timely manner.	Yes	We noted no instances in which deposits were not made timely during our testing.



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OFFICE OF THE AUDITOR

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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
APRIL 4, 2002**