



Mary Taylor, CPA
Auditor of State

MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008.....	6
Notes to the Financial Statements	7
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.....	22

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Mary Taylor, CPA
Auditor of State

Muskingum Township
Muskingum County
P.O. Box 2940
Zanesville, Ohio 43701

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 an 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 adverse 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 18, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Muskingum Township
Muskingum County
P.O. Box 2940
Zanesville, Ohio 43701

To the Board of Trustees:

We have audited the accompanying financial statements of Muskingum Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2009 and 2008. 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.

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.

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, 2009 and 2008 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, 2009 and 2008, 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 Muskingum Township, Muskingum County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 October 18, 2010, 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.



Mary Taylor, CPA
Auditor of State

October 18, 2010

**MUSKINGUM 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, 2009**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property and Other Local Taxes	\$80,794	\$299,117		\$379,911
Intergovernmental	37,357	146,431		183,788
Special Assessments			\$8,645	8,645
Earnings on Investments	1,353	231		1,584
Miscellaneous	1,108	1,848		2,956
Total Cash Receipts	<u>120,612</u>	<u>447,627</u>	<u>8,645</u>	<u>576,884</u>
Cash Disbursements:				
Current:				
General Government	127,319	10,575		137,894
Public Safety		88,416		88,416
Public Works		289,083		289,083
Capital Outlay		360,381		360,381
Debt Service:				
Redemption of Principal		82,137	7,341	89,478
Interest and Other Fiscal Charges		21,121	1,190	22,311
Total Cash Disbursements	<u>127,319</u>	<u>851,713</u>	<u>8,531</u>	<u>987,563</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(6,707)</u>	<u>(404,086)</u>	<u>114</u>	<u>(410,679)</u>
Other Financing Receipts / (Disbursements):				
Other Debt Proceeds		356,300		356,300
Advances-In	35,000	35,000		70,000
Advances-Out	(35,000)	(35,000)		(70,000)
Total Other Financing Receipts / (Disbursements)	<u>0</u>	<u>356,300</u>	<u>0</u>	<u>356,300</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	<u>(6,707)</u>	<u>(47,786)</u>	<u>114</u>	<u>(54,379)</u>
Fund Cash Balances, January 1	<u>(7,837)</u>	<u>265,679</u>	<u>598</u>	<u>258,440</u>
Fund Cash Balances, December 31	<u>(\$14,544)</u>	<u>\$217,893</u>	<u>\$712</u>	<u>\$204,061</u>

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

**MUSKINGUM 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, 2008**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash Receipts:				
Property and Other Local Taxes	\$78,960	\$291,779		\$370,739
Intergovernmental	98,852	148,105		246,957
Special Assessments			\$8,701	8,701
Earnings on Investments	2,814	627		3,441
Miscellaneous	200	2,303		2,503
	180,826	442,814	8,701	632,341
Cash Disbursements:				
Current:				
General Government	136,663	15,301		151,964
Public Safety		93,041		93,041
Public Works		256,224		256,224
Capital Outlay	36,876			36,876
Debt Service:				
Redemption of Principal		24,233	6,983	31,216
Interest and Other Fiscal Charges		2,394	1,548	3,942
	173,539	391,193	8,531	573,263
Total Cash Disbursements	173,539	391,193	8,531	573,263
Total Cash Receipts Over/(Under) Cash Disbursements	7,287	51,621	170	59,078
Other Financing Receipts / (Disbursements):				
Other Debt Proceeds	21,376			21,376
Sale of Fixed Assets		14,523		14,523
	21,376	14,523	0	35,899
Total Other Financing Receipts / (Disbursements)	21,376	14,523	0	35,899
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	28,663	66,144	170	94,977
Fund Cash Balances, January 1	(36,500)	199,535	428	163,463
Fund Cash Balances, December 31	(\$7,837)	\$265,679	\$598	\$258,440

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

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

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 Muskingum Township, Muskingum 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 and cemetery maintenance. The Township contracts with the Muskingum Township Volunteer Fire Department to provide fire services and Community Ambulance Services to provide emergency medical services.

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. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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 for constructing, maintaining, and repairing Township roads.

Fire Levy Fund – This fund receives property tax money for fire protection and emergency management services.

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

C. Fund Accounting (Continued)

3. Debt Service Funds

These funds are used to accumulate resources to repay Township indebtedness. The Township had the following significant Debt Service Funds:

Special Assessment Oakwood North Project Fund – The Township received special assessments for the repayment of special assessment debt associated with the Oakwood North paving project.

Special Assessment Hickory Hills Project Fund – The Township received special assessments for the repayment of special assessment debt associated with the Hickory Hills paving project.

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. 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 canceled, and reappropriated in the subsequent year.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

E. 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.

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. 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.

2. Equity in Pooled Deposits

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

	2009	2008
Demand deposits	\$204,061	\$258,440

Deposits: Deposits are 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, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$121,521	\$120,612	(\$909)
Special Revenue	455,322	803,927	348,605
Debt Service	8,821	8,645	(176)
Total	\$585,664	\$933,184	\$347,520

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$129,059	\$127,319	\$1,740
Special Revenue	700,200	851,713	(151,513)
Debt Service	9,419	8,531	888
Total	\$838,678	\$987,563	(\$148,885)

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Budgetary Activity (Continued)

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$116,117	\$202,202	\$86,085
Special Revenue	444,901	457,337	12,436
Debt Service	8,821	8,701	(120)
Total	\$569,839	\$668,240	\$98,401

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$147,872	\$173,539	(\$25,667)
Special Revenue	576,179	391,193	184,986
Debt Service	9,249	8,531	718
Total	\$733,300	\$573,263	\$160,037

An audit adjustment was made to reflect Township Trustees' fringe benefits being paid from the General Fund rather than the Road and Bridge Fund in the amount of \$15,469 for 2008. The comparisons presented above include corresponding audit adjustments to the budgetary expenditures for these funds. In addition, an audit adjustment of \$21,376 was made to the General Fund to reflect the activity associated with the Township's financing of a pick-up truck for 2008. The comparisons above include corresponding audit adjustments to the General Fund's actual receipts and budgetary expenditures. Also, audit adjustments were made to reflect equipment financed by the Township in the Township's Road and Bridge Fund and Fire District Fund in the amounts of \$32,300 and \$324,000, respectively, for 2009. The comparisons above include corresponding audit adjustments to these funds actual receipts and budgetary expenditures. Negative variances above resulted from these audit adjustments and do not represent noncompliance by the Township with budgetary statutes.

The Township's General Fund maintained a positive fund balance throughout 2009 and 2008, and the negative fund balance reported in the accompanying financial statements also resulted from posting audit adjustments.

4. Property Tax

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

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

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(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. Debt

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest Rate
2004 - Township Road Improvement Bond	8,143	5.13%
2005 - Township Road Improvement Bond	11,839	5.16%
2007 - Equipment Lease Purchase Agreement	12,944	4.63%
2008 - Truck Loan	13,330	4.10%
2009 - Equipment Bonds	28,586	4.75%
2009 - Fire Truck Lease Purchase Agreement	257,192	5.28%
Total	\$332,034	

The 2004 Township Road Improvement Bond was issued to refinance a previous note entered into as a special assessment used for the Oakwood North Paving Project. The bond was issued in October 2004 in the amount of \$25,230 and is collateralized by the full faith and credit of the Township. The bond is being paid in semi-annual installments of \$2,173 over seven years.

The 2005 Township Road Improvement Bond was issued to refinance a previous note entered into as a special assessment used for the Hickory Hills Paving Project. The note was issued in October 2004 in the amount of \$25,083 and was repaid by the bond issued in October of 2005. The bond is collateralized by the full faith and credit of the Township. The bond is being repaid in semi-annual installments of approximately \$2,158 over seven years.

The 2007 Equipment Lease Purchase Agreement was entered into to obtain a rotary boom mower. The lease is being paid from the Gasoline Tax and Road and Bridge funds in annual principal installments of \$6,473, which does not include interest.

The 2008 a truck loan was entered into to purchase a pick-up truck. The loan is being paid from the Motor Vehicle License and Road and Bridge funds in monthly installments of \$484, which includes principal and interest.

The 2009 Equipment Bonds were entered into to purchase a backhoe. The bonds being paid from the Road and Bridge fund in semi-annual installments of \$4,481, which includes principal and interest.

The 2009 Fire Truck Lease Purchase Agreement was entered into to obtain a fire truck. The lease is being paid from the Fire Levy fund in annual installments of \$42,723, which includes principal and interest.

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

5. Debt (Continued)

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

Year ending December 31:	2004 Township Road Improvement Bond	2005 Township Road Improvement Bond	2007 Equipment Lease Purchase	2008 Truck Loan	2009 Equipment Bonds	2009 Fire Truck Lease Purchase
2010	\$4,346	\$4,315	\$7,072	\$5,803	\$8,962	\$42,723
2011	4,346	4,315	6,772	5,803	8,962	42,723
2012		4,315		2,416	8,962	42,723
2013					4,377	42,723
2014						42,723
2015-2017						128,168
Total	<u>\$8,692</u>	<u>\$12,945</u>	<u>\$13,844</u>	<u>\$14,022</u>	<u>\$31,263</u>	<u>\$341,783</u>

6. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, 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, 2009.

7. Risk Management

The Township provides health, dental and life insurance coverage to its officials and full time employees through their private carrier.

Risk Pool Membership

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.

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

7. Risk Management (Continued)

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, 2009, 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, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Assets	\$38,982,088	\$40,737,740
Liabilities	<u>(12,880,766)</u>	<u>(12,981,818)</u>
Net Assets	<u>\$26,101,322</u>	<u>\$27,755,922</u>

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$12.0 and \$12.1 million of estimated incurred claims payable. The assets above also include approximately \$11.5 and \$10.9 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Township's share of these unpaid claims collectible in future years is approximately \$9,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

7. Risk Management (Continued)

<u>Contributions to OTARMA</u>	
<u>2009</u>	<u>2008</u>
\$8,450	\$8,757

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

8. Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



Mary Taylor, CPA

Auditor of State

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

Muskingum Township
Muskingum County
P.O. Box 2940
Zanesville, Ohio 43701

To the Board of Trustees:

We have audited the financial statements of Muskingum Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated October 18, 2010, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits 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. 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and another deficiency we consider to be a significant deficiency.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-001 through 2009-003 described in the accompanying Schedule of Findings to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2009-004 described in the accompanying Schedule of Findings to be a significant deficiency.

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 is described in the accompanying Schedule of Findings as item 2009-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated October 18, 2010.

The Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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



Mary Taylor, CPA
Auditor of State

October 18, 2010

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Material Noncompliance and Material Weakness

Ohio Rev. Code §505.24(C) sets forth the method by which township trustees' compensation should be allocated. This Section is amplified by Ohio Attorney General Opinion No. 2004-036. This Section requires that compensation of a township trustee must be paid from the Township General Fund or from such other restricted township funds, in such proportions based on the amount of time spent on matters related to the services rendered. In addition, OAG Opinion No. 2004-036 indicates trustees should establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matters related to the services rendered. There is no one method for documenting time and the kinds of services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service(s) performed, in a manner similar to trustees paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from these other funds. The requirements of Section 505.24(C) were noted in the Muskingum Township audit report conducted for the years ending December 31, 2007 and 2006.

For 2008, certain fringe benefits, in the amount of \$15,469, of the Board of Trustees were paid from the Road and Bridge Fund. The Board of Trustees did not establish administrative procedures or prepare documentation for how they spent their time and the type of services performed. It is necessary for trustees to document their time in order to substantiate that the insurance benefits were allocated to the proper funds. Trustees' benefits are to be paid from the General Fund unless administrative procedures are established to document the proportionate amount of the Trustees' salaries chargeable to other Township funds.

As a result, an adjustment was necessary to reflect payment of Trustees' fringe benefits in the General Fund, rather than the Road and Bridge Fund. This adjustment, with which management agrees, has been posted to the Township's records and is reflected in the accompanying financial statements.

We recommend the Township adopt formal administrative procedures regarding documenting the time spent by each Trustee on various duties. Once these administrative procedures are established, Trustee salaries and related benefits should be charged to the applicable funds in accordance with the timesheets or other similar method of record keeping

Officials' Response:

Procedures will be discussed with the Trustees to document time spent for the purpose of paying fringe benefits and salaries from funds other than the General Fund.

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-002

Material Weakness

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

During 2009, the Township financed the purchase of a backhoe through the issuance of bonds. Bond proceeds in the amount of \$32,300 were not recorded as a receipt and the subsequent payment to the contractor was not recorded as a capital outlay expenditure in the Road and Bridge Fund.

In addition, during 2009, the Township financed the purchase of a fire truck through a lease purchase agreement. Proceeds in the amount of \$324,000 were not recorded as a receipt and the subsequent payment to the contractor was not recorded as a capital outlay expenditure in the Fire District Fund.

Also, during 2008, the Township financed the purchase of a pick-up truck through a loan. Loan proceeds in the amount of \$21,376 were not recorded as a receipt and the subsequent payment to the car dealership was not recorded as a capital outlay expenditure in the General Fund.

As a result, receipts and disbursements were understated in the General Fund during 2008 and in the Road and Bridge Fund during 2009 by \$21,376 and \$32,300, respectively. Additionally, receipts and disbursements were understated in the Fire District Fund during 2009 by \$324,000. Adjustments with which Township management agrees have been made to the financial statements to reflect this activity.

We recommend the financial transactions pertaining to any bonds issued or debt entered into by the Township be included in the Township's accounting records.

Officials' Response:

I (Fiscal Officer) was unaware this type of transaction must be recorded. It will however be done correctly in the future.

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-003

Material Weakness

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

During both 2008 and 2009, numerous receipts were posted to improper receipt accounts.

As a result, 26 reclassification entries with which Township management agrees were made in the General, Special Revenue and Debt Service funds and are reflected in the accompanying financial statements in order to properly reflect the Township's cash receipts. The net effect of reclassification entries, by account, for the year ended December 31, 2009 is as follows:

Account	Fund					
	General	Motor Vehicle License Tax	Road and Bridge	Fire District	Oakwood North Debt Service	Hickory Hills Debt Service
Cash Receipts:						
Property & Other						
Local Taxes	(\$12,129)		(\$19,071)	(\$14,270)		
Intergovernmental	12,129		26,443	14,270		
Miscellaneous			(7,372)			
Cash Disbursements:						
Public Works		(5,803)	(37,010)			
Capital Outlay			57,300	238,555	(\$4,215)	(\$4,316)
Principal Payments		5,142	10,187	66,808	3,774	3,567
Interest & Fiscal Charges		661	1,823	18,637	441	749
Other Financing Receipts:						
Other Debt Proceeds			32,300	324,000		

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-003 (Continued)

Material Weakness (Continued)

The net effect of reclassification entries, by account, for the year ended December 31, 2008 is as follows:

Account	Fund				
	General	Motor Vehicle License Tax	Road and Bridge	Fire District	Oakwood North Debt Service
Cash Receipts:					
Property & Other					
Local Taxes	(\$11,541)		(\$17,564)	(\$13,541)	
Intergovernmental	11,541		25,238	13,541	
Miscellaneous			(22,197)		
Cash Disbursements:					
General Government	(15,500)				
Public Works		(12,582)	(14,045)		
Capital Outlay	36,876			(\$4,215)	(\$4,316)
Principal Payments		1,530	12,703	3,590	3,393
Interest & Fiscal Charges		1,052	1,342	625	923
Other Financing Receipts:					
Other Financing Sources	21,376				
Sale of Fixed Assets			14,523		

We recommend that electric/gas deregulation settlements, excess IRP compensation, homestead and rollback settlements, and grants from other governments be recorded as intergovernmental receipts. We also recommend that debt payments be recorded as debt service principal and interest payments. If the Fiscal Officer is uncertain as to the proper account classification, she should refer to the UAN accounting manual and/or support staff.

Officials' Response:

This will be corrected in future audit periods by properly posting transactions to the proper classification.

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-004

Significant Deficiency

The small size of the Township's staff did not allow for an adequate segregation of duties and the Fiscal Officer performed all accounting functions. It is therefore important for the Board of Trustees to function as a finance and audit committee to monitor financial activity closely and to follow up on any audit findings. While the Trustees approved all vouchers for payment and signed all checks issued, there was no documentation of the extent to which Trustees reviewed financial information to monitor the financial activity of the Township.

Without formally reviewing financial reports and records, the Board may not be fully aware of the financial status of the Township, condition of financial records, or whether various budgetary requirements have been met. Had proper monitoring controls been established, many of the conditions reported herein may have been prevented or detected in a timely manner.

We recommend the Fiscal Officer prepare monthly financial reports which include budget vs. actual information for expenditures and receipts, as well as reconciliations and fund balances. The Board should formally review and approve the monthly reports, and note the Board's approval in the Board's minutes. Monthly financial reports should be signed by the Board members to indicate each member's review and approval. In addition, the Board should meet to formally address and resolve audit findings.

Officials' Response:

Trustees review and sign off monthly on the Fund Status Report, the Payment Register and the Cash Journal. A budget vs. actual report will become part of the monthly reports reviewed and will be addressed in monthly meetings.

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Ohio Rev. Code §505.24(C), payment of Trustees' salaries and benefits from funds other than the General Fund.	No.	Not Corrected; repeated for the current audit as finding number 2009-001.
2007-002	Ohio Rev. Code §5705.38(A), adoption of the annual appropriation measure.	Yes.	
2007-003	Including issuance of debt on the Township's accounting records.	No.	Not Corrected; repeated for the current audit as finding number 2009-002.
2007-004	Misclassifications within funds.	No.	Not Corrected; repeated for the current audit as finding number 2009-003.



Mary Taylor, CPA
Auditor of State

MUSKINGUM 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
DECEMBER 9, 2010**