



Dave Yost • Auditor of State

MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY

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Dave Yost • Auditor of State

Muskingum Township
Muskingum County
5009 Dresden Ct.
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.

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

Dave Yost
Auditor of State

October 29, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Muskingum Township
Muskingum County
5009 Dresden Ct.
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, 2011 and 2010. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2012, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Dave Yost
Auditor of State

October 29, 2012

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

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

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$89,318	\$322,662		\$411,980
Intergovernmental	31,312	145,468		176,780
Special Assessments			\$16,638	16,638
Earnings on Investments	189	25		214
Miscellaneous	577	4,759		5,336
<i>Total Cash Receipts</i>	<u>121,396</u>	<u>472,914</u>	<u>16,638</u>	<u>610,948</u>
Cash Disbursements				
Current:				
General Government	72,830	84,480		157,310
Public Safety		72,084		72,084
Public Works		285,211		285,211
Debt Service:				
Principal Retirement		49,021	8,122	57,143
Interest and Fiscal Charges		15,275	530	15,805
<i>Total Cash Disbursements</i>	<u>72,830</u>	<u>506,071</u>	<u>8,652</u>	<u>587,553</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>48,566</u>	<u>(33,157)</u>	<u>7,986</u>	<u>23,395</u>
Other Financing Receipts (Disbursements)				
Advances In	10,000	40,000		50,000
Advances Out	(40,000)	(10,000)		(50,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(30,000)</u>	<u>30,000</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	18,566	(3,157)	7,986	23,395
<i>Fund Cash Balances, January 1</i>	<u>1,372</u>	<u>79,300</u>	<u>957</u>	<u>81,629</u>
Fund Cash Balances, December 31				
Nonspendable	0	0	0	0
Restricted	0	76,143	8,943	85,086
Committed	0	0	0	0
Assigned	0	0	0	0
Unassigned (Deficit)	19,938	0	0	19,938
<i>Fund Cash Balances, December 31</i>	<u>\$19,938</u>	<u>\$76,143</u>	<u>\$8,943</u>	<u>\$105,024</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, 2010**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property and Other Local Taxes	\$83,691	\$305,159		\$388,850
Intergovernmental	30,622	147,080		177,702
Special Assessments			\$8,645	8,645
Earnings on Investments	290	44		334
Miscellaneous	597	7,216		7,813
	<u>115,200</u>	<u>459,499</u>	<u>8,645</u>	<u>583,344</u>
Cash Disbursements:				
Current:				
General Government	129,285	33,851		163,136
Public Safety		139,395		139,395
Public Works		372,684		372,684
Debt Service:				
Redemption of Principal		19,523	7,720	27,243
Interest and Other Fiscal Charges		2,720	679	3,399
	<u>129,285</u>	<u>568,173</u>	<u>8,399</u>	<u>705,857</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(14,085)</u>	<u>(108,674)</u>	<u>246</u>	<u>(122,513)</u>
Other Financing Receipts / (Disbursements):				
Advances-In	65,000	35,000		100,000
Advances-Out	(35,000)	(65,000)		(100,000)
	<u>30,000</u>	<u>(30,000)</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	15,915	(138,674)	246	(122,513)
Fund Cash Balances, January 1	<u>(14,543)</u>	<u>217,974</u>	<u>711</u>	<u>204,142</u>
Fund Cash Balances, December 31	<u>\$1,372</u>	<u>\$79,300</u>	<u>\$957</u>	<u>\$81,629</u>

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

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

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

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the 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 Falls Township 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 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 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, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

C. Fund Accounting (Continued)

3. Debt Service Funds

These funds account for resources the Township accumulates to pay 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 projects.

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. 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 canceled, and reappropriated in the subsequent year.

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

E. Fund Balance

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

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

E. Fund Balance (Continued)

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

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.

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

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.

2. Equity in Pooled Deposits and Investments

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

	2011	2010
Demand deposits	\$105,024	\$81,629

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

3. Budgetary Activity

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

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$127,560	\$121,396	(\$6,164)
Special Revenue	449,083	472,914	23,831
Debt Service	15,594	16,638	1,044
Total	\$592,237	\$610,948	\$18,711

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$98,932	\$72,830	\$26,102
Special Revenue	565,156	506,071	59,085
Debt Service	9,778	8,652	1,126
Total	\$673,866	\$587,553	\$86,313

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

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

3. Budgetary Activity (Continued)

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$130,866	\$115,200	(\$15,666)
Special Revenue	457,074	459,499	2,425
Debt Service	15,893	8,645	(7,248)
Total	\$603,833	\$583,344	(\$20,489)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$131,792	\$129,285	\$2,507
Special Revenue	659,499	568,173	91,326
Debt Service	16,604	8,399	8,205
Total	\$807,895	\$705,857	\$102,038

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.

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, 2011 was as follows:

	Principal	Interest Rate
2005 - Township Road Improvement Bond	\$4,139	5.16%
2008 - Truck Loan	\$2,393	4.10%
2009 - Equipment Bonds	\$12,828	4.75%
2009 - Fire Truck Lease Purchase Agreement	228,288	5.28%
Total	\$247,648	

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

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

5. Debt (Continued)

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

The 2008 truck loan was entered into to purchase a pick-up truck. The loan is being paid from the Motor and 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 are being paid from the Road and Bridge fund in semi-annual installment 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 installment of \$42,723, which includes principal and interest.

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

Year ending December 31:	2005 Township Road Improvement Bond	2008 Truck Loan	2009 Equipment Bonds	2009 Fire Truck Lease Purchase
2012	\$4,315	\$2,416	\$8,962	\$42,723
2013			4,377	42,723
2014				42,723
2015				42,723
2016				42,723
2017-2018				61,891
Total	<u>\$4,315</u>	<u>\$2,416</u>	<u>\$13,339</u>	<u>\$275,506</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 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2011.

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

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

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.

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

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, 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, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Assets	\$35,086,165	\$35,855,252
Liabilities	<u>(9,718,792)</u>	<u>(10,664,724)</u>
Net Assets	<u>\$25,367,373</u>	<u>\$25,190,528</u>

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

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

7. Risk Management (Continued)

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$9.1 and \$9.9 million of estimated incurred claims payable. The assets above also include approximately \$8.6 and \$9.5 million of unpaid claims to be billed to approximately 938 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Township's share of these unpaid claims collectible in future years is approximately \$6,300.

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

<u>Contributions to OTARMA</u>	
<u>2011</u>	<u>2010</u>
\$9,428	\$7,885

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.



Dave Yost • 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
5009 Dresden Ct.
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, 2011 and 2010, and have issued our report thereon dated October 29, 2012, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and adopted GASB Statement No. 54. We also noted 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(A) mandates 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 opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined

above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2011-01 to be a significant deficiency. 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.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated October 29, 2012.

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

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



Dave Yost
Auditor of State

October 29, 2012

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

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

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

FINDING NUMBER 2011-01

Significant Deficiency

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public officer 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 2010 and 2011, principal and interest payments were posted to improper account codes and not reflected as debt service disbursements on the financial statements, and several receipts were improperly classified. In 2010, disbursements made for the fire contract were improperly posted as capital outlay. Additionally in 2011, the General Fund Balance was incorrectly posted to Nonspendable instead of Unassigned.

As a result, 22 reclassification entries, with which the Township management agrees, were made and reflected in the accompanying financial statements in order to properly reflect the Township's cash receipts and disbursements. The net effect of reclassification entries, by account, for the year ended December 31, 2011 is as follows:

Account	Fund							
	General	Motor Vehicle License Tax	Gasoline Tax	Road and Bridge	Fire District	Oakwood North Debt Service	Hickory Hills Debt Service	Debt Service
Cash Receipts:								
Special Assessments								\$6,772
Cash Disbursements:								
Public Safety					(\$42,723)			
Public Works		(\$6,803)	(\$1,000)	(\$13,770)				
Capital Outlay						(\$4,336)	(\$4,316)	
Principal Payments		6,533	953	12,631	28,904	4,175	3,947	
Interest & Fiscal Charges		270	47	1,139	13,819	161	369	
Other Financing Receipts:								
Other Debt Proceeds								(6,772)
Fund Cash Balances								
Nonspendable	(\$19,938)							
Unassigned	19,938							

The net effect of reclassification entries, by account, for the year ended December 31, 2010 is as follows:

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

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

FINDING NUMBER 2011-01 (Continued)

Significant Deficiency (Continued)

Account	Fund						
	General	Motor Vehicle License Tax	Road and Bridge	Fire District	Permissive Motor Vehicle License Tax	Oakwood North Debt Service	Hickory Hills Debt Service
Cash Receipts:							
Property & Other Local Taxes	(\$12,057)		(\$26,157)	(\$13,918)			
Intergovernmental	12,057		26,157	13,918			
Cash Disbursements:							
Public Safety				50,000			
Public Works		(\$5,803)	(11,580)		(\$372)		
Capital Outlay				(50,000)		(\$3,974)	(\$4,424)
Principal Payments		5,357	14,166			3,968	3,751
Interest & Fiscal Charges		446	(2,586)		372	6	673

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.

Officials' Response: The Fiscal Officer will strive to be more consistent in the proper classification of these transactions.

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Rev. Code §505.24(C), payment of Trustees' fringe benefits from the Road and Bridge Fund instead of the General Fund.	Yes	
2009-002	Debt proceeds and the subsequent payments for the purchase of a backhoe, fire truck and pick-up truck were not recorded on the Township's books.	Yes	
2009-003	Misclassifications among accounts.	No	Not Corrected; repeated for the current audit as finding number 2011-01.
2009-004	Review of monthly reports by the Board of Trustees.	Yes	

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Dave Yost • 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
NOVEMBER 13, 2012**