



Mary Taylor, CPA
Auditor of State

MUSKINGUM TOWNSHIP
WASHINGTON 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>	13
Schedule of Findings	15
Schedule of Prior Audit Findings	21

This page intentionally left blank.



Mary Taylor, CPA
Auditor of State

Muskingum Township
Washington County
26 Townhall Road
Marietta, Ohio 45750

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

September 28, 2010

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Muskingum Township
Washington County
26 Townhall Road
Marietta, Ohio 45750

To the Board of Trustees:

We have audited the accompanying financial statements of Muskingum Township, Washington 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.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701-2157
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

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, Washington 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.

During 2008, the Township changed its financial statement presentation method to conform to presentation methods the Auditor of State prescribes or permits.

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 September 28, 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

September 28, 2010

**MUSKINGUM TOWNSHIP
WASHINGTON 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>					Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:						
Property and Other Local Taxes	\$ 90,035	\$ 454,812	\$ -	\$ -	\$ -	\$ 544,847
Intergovernmental	336,772	246,936		5,627		589,335
Special Assessments		16,271				16,271
Charges for Services						0
Licenses, Permits, and Fees	2,435	900		5,230		8,565
Fines, Forfeitures, and Penalties						0
Earnings on Investments	5,076	430			6	5,512
Miscellaneous	1,691	42,740		20,429		64,860
Total Cash Receipts	<u>436,009</u>	<u>762,089</u>	<u>0</u>	<u>31,286</u>	<u>6</u>	<u>1,229,390</u>
Cash Disbursements:						
Current:						
General Government	155,383	10,390		10,352		176,125
Public Safety	600	344,083				344,683
Public Works	23,177	360,623				383,800
Health	35,054	1,380				36,434
Conservation - Recreation	720			6,793		7,513
Capital Outlay	52,394	10,870		32,066		95,330
Debt Service:		44,975				44,975
Interest and Fiscal Charges		8,614				8,614
Total Cash Disbursements	<u>267,328</u>	<u>780,935</u>	<u>0</u>	<u>49,211</u>	<u>0</u>	<u>1,097,474</u>
Total Cash Receipts Over/(Under) Cash Disbursements	168,681	(18,846)	0	(17,925)	6	131,916
Other Financing Receipts/(Disbursements):						
Sale of Notes	52,394	10,870				63,264
Advances-In	29,000	29,000				58,000
Advances-Out	(29,000)	(29,000)				(58,000)
Total Other Financing Receipts/(Disbursements)	<u>52,394</u>	<u>10,870</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>63,264</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	221,075	(7,976)	0	(17,925)	6	195,180
Fund Cash Balances, January 1	445,052	155,303	46	38,084	801	639,286
Fund Cash Balances, December 31	<u>\$ 666,127</u>	<u>\$ 147,327</u>	<u>\$ 46</u>	<u>\$ 20,159</u>	<u>\$ 807</u>	<u>\$ 834,466</u>

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

**MUSKINGUM TOWNSHIP
WASHINGTON 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**

	<u>Governmental Fund Types</u>					Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:						
Property and Other Local Taxes	\$ 87,894	\$ 420,044	\$ -	\$ 24,895	\$ -	\$ 532,833
Intergovernmental	76,428	229,203		8,725		314,356
Special Assessments		12,162				12,162
Charges for Services		400				400
Licenses, Permits, and Fees	1,675			17,618		19,293
Earnings on Investments	12,089	2,569			16	14,674
Miscellaneous	315	3,515		5,352		9,182
Total Cash Receipts	<u>178,401</u>	<u>667,893</u>	<u>0</u>	<u>56,590</u>	<u>16</u>	<u>902,900</u>
Cash Disbursements:						
Current:						
General Government	165,753	9,681		8,456		183,890
Public Safety		281,012				281,012
Public Works	600	391,459				392,059
Health	30,700	2,980				33,680
Conservation - Recreation	1,880			2,622		4,502
Capital Outlay		171,100		11,428		182,528
Debt Service:						
Redemption of Principal		39,844		14,693		54,537
Interest and Fiscal Charges		1,585		563		2,148
Total Cash Disbursements	<u>198,933</u>	<u>897,661</u>	<u>0</u>	<u>37,762</u>	<u>0</u>	<u>1,134,356</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(20,532)	(229,768)	0	18,828	16	(231,456)
Other Financing Receipts and (Disbursements):						
Sale of Bonds		175,000				175,000
Advances-In	174,500	173,100				347,600
Advances-Out	(173,100)	(174,500)				(347,600)
Total Other Financing Receipts/(Disbursements)	<u>1,400</u>	<u>173,600</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>175,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(19,132)	(56,168)	0	18,828	16	(56,456)
Fund Cash Balances, January 1	464,184	211,471	46	19,256	785	695,742
Fund Cash Balances, December 31	<u>\$ 445,052</u>	<u>\$ 155,303</u>	<u>\$ 46</u>	<u>\$ 38,084</u>	<u>\$ 801</u>	<u>\$ 639,286</u>

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

**MUSKINGUM TOWNSHIP
WASHINGTON 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, Washington 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, cemetery maintenance and fire protection. The Township contracts with the Devola Volunteer Fire Department to provide fire and emergency protection services and with the L-A Joint Fire District to provide fire protection 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.

Fire District Fund - This fund receives property tax money for the purpose of providing fire protection services to the residents of Muskingum Township.

Devola Fire Levy Fund - This fund receives property tax money for the purpose of providing the Devola Volunteer Fire Department resources to provide fire protection services to the residents of Muskingum Township.

**MUSKINGUM TOWNSHIP
WASHINGTON COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

C. Fund Accounting (Continued)

3. Capital Projects Fund

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project Fund:

Oak Grove School Building Fund – This fund receives rental fees and donations for the operation of the Oak Grove School Community Building.

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 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 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.

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:

**MUSKINGUM TOWNSHIP
WASHINGTON COUNTY**

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

2. Equity in Pooled Deposits (Continued)

	2009	2008
Demand deposits	\$ 834,466	\$ 639,286

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	\$138,274	\$488,403	\$350,129
Special Revenue	758,871	772,959	14,088
Capital Projects	23,437	31,286	7,849
Permanent	16	6	(10)
Total	\$920,598	\$1,292,654	\$372,056

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$392,094	\$267,328	\$124,766
Special Revenue	727,472	780,935	(53,463)
Capital Projects	37,750	49,211	(11,461)
Total	\$1,157,316	\$1,097,474	\$59,842

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$157,133	\$178,401	\$21,268
Special Revenue	790,870	842,893	52,023
Capital Projects	33,161	56,590	23,429
Permanent	18	16	(2)
Total	\$981,182	\$1,077,900	\$96,718

**MUSKINGUM TOWNSHIP
WASHINGTON COUNTY**

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

3. Budgetary Activity (Continued)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$221,606	\$198,933	\$22,673
Special Revenue	967,300	897,661	69,639
Debt Service	46	0	46
Capital Projects	47,100	37,762	9,338
Permanent	371	0	371
Total	\$1,236,423	\$1,134,356	\$102,067

Contrary to Ohio law, expenditures exceeded approved appropriations at the legal level of control in the General Fund, Motor Vehicle License Tax Fund, Gasoline Tax Fund, Road and Bridge Fund, Fire District Fund, Permissive Sales Tax Fund, Devola Fire Levy Fund and Oak Grove Capital Project Fund at December 31, 2009 and in the General Fund, Road and Bridge Fund, Fire District Fund, Permissive Sales Tax Fund, Devola Fire Levy Fund and Oak Grove Capital Project Fund at December 31, 2008.

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, 2009 was as follows:

	Principal	Interest Rate
Backhoe Loan	\$50,170	5.25%
Fire Truck Bonds	143,200	4%
Total	\$193,370	

The Township issued a business loan to finance the purchase of a new backhoe and loader for township road maintenance.

**MUSKINGUM TOWNSHIP
WASHINGTON COUNTY**

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

5. Debt (Continued)

The Township issued general obligation bonds to finance the purchase of a pumper truck for use by the Township's fire department.

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

Year ending December 31:	Backhoe Loan	Fire Truck Bonds
2010	\$11,961	\$33,700
2011	11,961	35,100
2012	11,961	36,500
2013	11,961	37,900
2014	8,850	
Total	\$56,694	\$143,200

6. Retirement System

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 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, 2009, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

**MUSKINGUM TOWNSHIP
WASHINGTON COUNTY**

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

7. Risk Management (Continued)

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	(12,880,766)	(12,981,818)
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 \$13,600.

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>2009</u>	<u>2008</u>
\$12,726	\$13,966

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.



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
Washington County
26 Townhall Road
Marietta, Ohio 45750

To the Board of Trustees:

We have audited the financial statements of Muskingum Township, Washington County, Ohio (the Township), as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated September 28, 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.

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 certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings that we consider significant deficiencies in internal control over financial reporting. We consider findings 2009-002 and 2009-004 to be significant deficiencies. 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2009-001 and 2009-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated September 28, 2010.

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

September 28, 2010

**MUSKINGUM TOWNSHIP
WASHINGTON COUNTY**

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

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

FINDING NUMBER 2009-001

Noncompliance Citation

Ohio Rev. Code Section 505.262(A) states, in part, that the Board of Township Trustees of any township, by unanimous vote, may adopt a resolution allowing the Township to contract for the purchase of equipment, buildings, and sites, or for the construction of buildings, for any lawful township purpose. The Board may issue, by resolution adopted by unanimous vote, securities of the Township to finance purchases and construction made pursuant to this division. The securities shall be signed by the board and attested by the signature of the township fiscal officer, and the maximum maturity of those securities is subject to the limitation in section 133.20 of the revised code. The securities shall bear interest not to exceed the rate determined as provided in section 9.95 of the revised code and shall not be subject to chapter 133 of the revised code. The resolution authorizing the issuance of the securities shall provide for levying and collecting annually by taxation, amounts sufficient to pay the interest on and principal of the securities. The securities may contain a clause permitting prepayments at the option of the board. Securities shall be offered for sale on the open market or given to the vendor or contractor if no sale is made.

Ohio Rev. Code Section 505.262(B) states no purchase or construction pursuant to division (A) of this section shall be undertaken unless the county auditor certifies that, if the purchase or construction is undertaken, the debt service charge for the purchase of construction on the first year, together with the debt service charge for that same year for any other purchase or construction already undertaken pursuant to division (A) of this section, does not exceed one-tenth of the township's total revenue from all sources. If the county auditor so certifies, in every year of the debt after the first year, the county budget commission shall include a debt charge in the township's annual tax budget submitted pursuant to section 5705.01 to 5705.47 of the Revised Code sufficient to meet the annual debt incurred pursuant to division (A) of this section, if the debt charge is omitted from the budget.

A board of township trustees is not authorized to grant a lender or vendor a security interest in property purchased and financed by the board in accordance with the terms of RC 505.262(A). See Ohio Attorney General Opinion 96-048.

On April 22, 2009, the Township issued a promissory note with Peoples Bank in the amount of \$10,870 for the purchase of a tractor. In addition the Township entered into a \$52,406 promissory note on September 15, 2009 for the purchase of a backhoe and loader with Settlers Bank. These promissory notes gave the lender a security interest in the property. As noted above, there is no statutory authority for issuing this type of debt.

Specifically, the Township did not perform the following for the debt agreement:

- 1) The resolution to issue the securities to finance the purchase did not include the statement that the issuance of the securities shall provide for levying and collecting annually by taxation, amounts sufficient to pay the interest on and principal of the securities
- 2) Obtain certification from the County Auditor that, if the purchase is undertaken, the debt service charge for the purchase in the first year, together with the debt service charge for that same year for any other purchase or construction already undertaken pursuant to division (A) of this section, does not exceed one-tenth of the Township's total revenue from all sources.

**MUSKINGUM TOWNSHIP
WASHINGTON 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 2009-001 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 505.262(A) (Continued)

- 3) Since no certification was received from the County Auditor, the county budget commission did not include a debt charge in the Township's annual tax budget submitted pursuant to section 5705.01 to 5705.47 of the revised code sufficient to meet the annual debt incurred pursuant to division (A) of this section, if the debt charge is omitted from the budget.

We recommend the Township consult with their legal counsel on how to correct these debt agreements and consult with their legal counsel before entering into any future debt agreements.

FINDING NUMBER 2009-002

Significant Deficiency

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The Township Fiscal Officer did not properly post budgeted receipts, and any amendments made to them, to the accounting system. As a result, variances existed between the last certificate of estimated resources, the amounts posted to the accounting system, and the budgetary note in the Township's Notes to the Financial Statements. The following table details these variances at year end for the years ending December 31, 2009 and 2008:

<u>Fund</u>	<u>Amount Per Last Amended Certificate</u>	<u>Amounts Posted to the Accounting System</u>	<u>Variance</u>
2009			
General Fund	\$ 138,274	\$ 130,420	\$ (7,854)
Motor Vehicle License Tax Fund	55,255	54,900	(355)
Gasoline Tax Fund	76,500	75,800	(700)
Road and Bridge Fund	166,245	131,620	(34,625)
Fire District Fund	131,200	112,475	(18,725)
Permissive Sales Tax Fund	42,341	40,061	(2,280)
Devola Fire Levy Fund	273,330	266,659	(6,671)
Oak Grove Capital Projects Fund	23,437	16,700	(6,737)
2008			
General Fund	\$ 157,133	\$ 144,643	\$ (12,490)
Road and Bridge Fund	128,830	127,628	(1,202)
Fire District Fund	259,771	252,000	(7,771)
Permissive Sales Tax Fund	42,684	42,253	(431)
Devola Fire Levy Fund	252,854	237,400	(15,454)
Oak Grove Capital Projects Fund	33,161	28,700	(4,461)

**MUSKINGUM TOWNSHIP
WASHINGTON 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 2009-002 (Continued)

Significant Deficiency (Continued)

The Township Fiscal Officer posted multiple appropriation amendments throughout the audit period to the accounting system. However, there was no formal indication noted in the minutes that these amendments were reviewed and approved by the Board. Appropriations in the system and reported in the budgetary note in the Notes to the Financial Statements did not agree to the amounts approved by the Board as follows:

<u>Fund</u>	<u>Amount Per Board Approved Appropriation Measure</u>	<u>Amounts Posted to Accounting System</u>	<u>Variance</u>
2008			
General Fund	\$ 221,606	\$ 250,006	\$ 28,400
Road and Bridge	170,200	170,700	500
Street Lighting	13,000	9,550	(3,450)
Debt Service	46	-	(46)
Highland Cemetery Bequest	347	-	(347)
Rayley Cemetery Bequest	24	-	(24)
2009			
Motor Vehicle License Tax	\$ 60,000	\$ 73,850	\$ 13,850
Fire Fund	125,172	145,172	20,000
Permissive Sales Tax	-	48,660	48,660
Street Lighting	12,800	12,750	(50)
Fire Levy	264,000	283,500	19,500
Oak Grove School	37,750	54,750	17,000

Due to budgetary information being improperly entered into the system, the Board of Trustees was not able to effectively monitor and report its budget vs. actual status throughout the year.

We recommend the Fiscal Officer record only estimated receipts from the Certificate of Estimated Resources and any amendments thereto. We also recommend Township management review budgetary procedures for amending appropriations, document the Board approval of all appropriations amendments in specific detail in the Board minutes, and file all appropriation amendments with the County Auditor in order to receive confirmation from the County Auditor that appropriations do not exceed estimated resources. The Fiscal Officer should post these amendments only after the required approvals have been obtained. The accompanying budgetary presentation includes only budgeted receipts certified to the County Auditor and appropriations approved by the Board of Trustees.

**MUSKINGUM TOWNSHIP
WASHINGTON 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

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) prohibits subdivisions or taxing authorities from expending money unless it has been appropriated as provided in such chapter.

At December 31, 2009, expenditures exceeded appropriations at the object level of control as follows:

Account Code	Approved Appropriations	Actual Expenditures	Variance
2011-330-323-0000	\$21,500	\$24,363	(\$2,863)
2011-330-420-0000	20,000	22,114	(2,114)
2011-820-820-0000	(1,000)	13,175	(14,175)
2011-830-830-0000	0	991	(991)
2031-330-420-0000	93,500	100,744	(7,244)
2111-110-314-0000	2,000	2,378	(378)
2111-220-430-0000	15,000	16,191	(1,191)
2111-820-820-0000	11,800	31,800	(20,000)
2241-330-360-0000	0	48,660	(48,660)
2401-310-314-0000	100	187	(87)
2901-110-314-2003	2,500	3,891	(1,391)
2901-220-360-0000	260,000	264,818	(4,818)
4901-120-329-0000	1,000	1,300	(300)
4901-610-322-0000	500	872	(372)
4901-760-790-0000	5,000	21,627	(16,627)

The variances were due to appropriations and supplemental appropriations posted to the system but not approved by the Board of Trustees. The practice of allowing expenditures to exceed appropriations could result in negative fund balances for the Township.

We recommend the Board of Trustees and Fiscal Officer compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Board should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should deny requests for payment when appropriations are not available.

FINDING NUMBER 2009-004

Significant Deficiency

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 (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements.

**MUSKINGUM TOWNSHIP
WASHINGTON 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 2009-004 (Continued)

Significant Deficiency (Continued)

The Fiscal Officer incorrectly posted the following:

- Debt proceeds for the backhoe were posted to miscellaneous revenue instead of debt proceeds in the General Fund in 2009 in the amount of \$52,394.
- Tangible personal property reimbursements were posted to taxes instead of intergovernmental in the amount of \$5,627 in 2009 and \$4,519 in 2008 in the Capital Projects Fund.
- Tangible personal property reimbursements and kilowatt tax reimbursements were posted to taxes instead of intergovernmental in the Special Revenue Funds in the amount of \$49,195 in 2009 and in the amount of \$38,339 in 2008.

As a result, these significant reclassifications, with which the Township's management agrees, were made to the financial statements.

During the audit period, the Fiscal Officer also posted the following insignificant transactions incorrectly. This resulted in incorrect postings of insignificant Township transactions in the financial statements. It was unnecessary to post these transactions to the financial statements.

- Debt proceeds of \$10,870 for the purchase of a tractor were posted to miscellaneous revenue instead of debt proceeds. The corresponding expenditures were posted to public works instead of capital outlay in the Motor Vehicle License Tax Fund in 2009.
- Permissive sales tax revenue was posted to taxes instead of intergovernmental revenue in 2009 in the amount of \$40,061 and in 2008 in the amount of \$42,261.
- Tangible personal property reimbursements and kilowatt tax reimbursements were posted to taxes instead of intergovernmental in the General Fund in the amount of \$12,279 in 2009 and \$10,881 in 2008.
- Excess IRP was posted to General Fund in 2008 (\$626) and to the Gasoline Tax Fund in 2009 (\$1,699) instead of the Motor Vehicle License Tax Fund.

We recommend the Fiscal Officer refer to the Ohio Township Handbook for proper classification and take additional care in posting transactions to the Township's ledgers in order to ensure the Township's year-end financial statements reflect the appropriate sources of the Township's receipts and expenditures.

Officials' Response: We did not receive a response from Officials to the findings reported above.

This page intentionally left blank.

**MUSKINGUM TOWNSHIP
WASHINGTON 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; Explain
2007-001	Ohio Rev. Code Section 505.24 – Overpayment of Officials	Yes	
2007-002	Ohio Rev. Code Section 5705.38 (C) – Appropriation measure was not passed at legal level of control required for a township.	No	Partially Corrected; Appropriations were passed at object level for 2009. Reissued in the management letter for 2008.
2007-003	Ohio Rev. Code Section 5705.41(B) – Expenditures exceeded appropriations.	No	Re-issued as Finding Number 2009-003.
2007-004	Ohio Admin. Code 117-02(a) – Improper posting of receipts and disbursements.	No	Re-issued as Finding Number 2009-004.
2007-005	Appropriations and Estimated Receipts per system did not agree to approved appropriations and amended certificates.	No	Re-issued as Finding Number 2009-002.

This Page is Intentionally Left Blank.



Mary Taylor, CPA
Auditor of State

MUSKINGUM TOWNSHIP

WASHINGTON 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 4, 2010**