



**Auditor of State
Betty Montgomery**

MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY

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Auditor of State Betty Montgomery

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, 2003 and 2002. 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.

Except as discussed below, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township's financial transactions were processed using 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 that our audit provides a reasonable basis for our opinion.

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

The basis of accounting prescribed by the Auditor of State requires the Township to report outstanding encumbrances at year end as budgetary expenditures. The Township did not properly record encumbrances for the years ended December 31, 2003 and 2002. Accordingly, budgetary expenditures in Note 3 do not include encumbrances. It was not practical for us to determine the amount of unrecorded encumbrances for the years ended December 31, 2003 and 2002.

In our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we performed a search for unrecorded year end outstanding encumbrances as discussed in the preceding paragraph, 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, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2004 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 18, 2004

**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, 2003**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Local Taxes	\$60,275	\$187,741	\$	\$	\$248,016
Intergovernmental	24,235	88,872			113,107
Earnings on Investments	177	75			252
Other Revenue	2,722	2,576			5,298
	<u>87,409</u>	<u>279,264</u>	<u>0</u>	<u>0</u>	<u>366,673</u>
Cash Disbursements:					
Current:					
General Government	100,735	1,637			102,372
Public Safety		9,597			9,597
Public Works		229,567		25,230	254,797
Debt Service:					
Redemption of Principal		18,976			18,976
Interest and Fiscal Charges		7,567			7,567
Capital Outlay		43,760			43,760
	<u>100,735</u>	<u>311,104</u>	<u>0</u>	<u>25,230</u>	<u>437,069</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(13,326)</u>	<u>(31,840)</u>	<u>0</u>	<u>(25,230)</u>	<u>(70,396)</u>
Other Financing Receipts/(Disbursements):					
Proceeds from Sale of Public Debt:					
Sale of Notes				25,230	25,230
Transfers-In	159	3,918			4,077
Transfers-Out	0	(4,075)	(2)	0	(4,077)
	<u>159</u>	<u>(157)</u>	<u>(2)</u>	<u>25,230</u>	<u>25,230</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(13,167)</u>	<u>(31,997)</u>	<u>(2)</u>	<u>0</u>	<u>(45,166)</u>
Fund Cash Balances, January 1	<u>23,986</u>	<u>156,276</u>	<u>2</u>	<u>0</u>	<u>180,264</u>
Fund Cash Balances, December 31	<u>\$10,819</u>	<u>\$124,279</u>	<u>\$0</u>	<u>\$0</u>	<u>\$135,098</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, 2002**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash Receipts:				
Local Taxes	\$55,266	\$131,950	\$	\$187,216
Intergovernmental	34,380	79,012		113,392
Earnings on Investments	817	199		1,016
Other Revenue	31,922			31,922
	122,385	211,161	0	333,546
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	116,385	43		116,428
Public Safety		21,910		21,910
Public Works		154,115		154,115
Debt Service:				
Redemption of Principal		10,844		10,844
Interest and Fiscal Charges		6,863		6,863
Capital Outlay	10,000	11,000		21,000
	126,385	204,775	0	331,160
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	(4,000)	6,386	0	2,386
Fund Cash Balances, January 1	27,986	149,890	2	177,878
Fund Cash Balances, December 31	\$23,986	\$156,276	\$2	\$180,264

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

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Muskingum Township, Muskingum County (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Muskingum Township Volunteer Fire Department to provide fire services and Community Ambulance Services to provide ambulance services.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

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

C. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

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, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

3. Debt Service Fund

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

Note Retirement Fund – This fund is used to accumulate resources for the payment of debt related to the purchase of equipment.

4. Capital Project Fund

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

Special Assessment Fund – This fund receives special assessments for the paving of Oakwood North.

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. The Township did not encumber all commitments required by Ohio law.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

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

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(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. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2003	2002
Demand deposits	\$135,098	\$180,264

Deposits: Deposits are (1) insured by the Federal Deposit Insurance Corporation, and/or (2) collateralized by securities specifically pledged by the financial institution to the Township.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and December 31, 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$91,649	\$87,568	(\$4,081)
Special Revenue	268,041	283,182	15,141
Debt Service	0	0	0
Capital Projects	25,230	25,230	0
Total	\$384,920	\$395,980	\$11,060

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$92,910	\$100,735	(\$7,825)
Special Revenue	268,041	315,179	(47,138)
Debt Service	2	2	0
Capital Projects	25,230	25,230	0
Total	\$386,183	\$441,146	(\$54,963)

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$130,338	\$122,385	(\$7,953)
Special Revenue	226,981	211,161	(15,820)
Debt Service	0	0	0
Total	\$357,319	\$333,546	(\$23,773)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$140,338	\$126,385	\$13,953
Special Revenue	312,648	204,775	107,873
Debt Service	2	0	2
Total	\$452,988	\$331,160	\$121,828

Contrary to Ohio law, budgetary expenditures exceeded appropriations in the General, Road and Bridge, and Federal Emergency Management Agency Funds by \$7,825, \$52,264, and \$4,075, respectively. Also contrary to Ohio law, the Clerk's certification of the availability of unencumbered appropriations was not obtained prior to purchase commitments being made for over 35% of the expenditures tested. In numerous instances, revenues derived from specific sources were credited to improper funds, also contrary to Ohio law.

4. PROPERTY TAX

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

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.

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2000 - Equipment Lease Purchase Agreement	\$100,269	5.60%
2002 - Equipment Lease Purchase Agreement	16,315	5.50%
Township Road Improvement Notes	25,230	3.82%
Total	<u>\$116,584</u>	

The 2000 equipment lease purchase agreement was entered into to obtain a fire truck to be used for Township fire protection. The lease is collateralized by the fire truck. The lease is being paid from the Fire Levy Fund in annual installments of \$17,707, which includes principal and interest.

The 2002 equipment lease purchase agreement was entered into to obtain a tractor and mower to be used for maintenance of Township roads. The lease is collateralized by the tractor and mower. The lease is being paid from the Motor Vehicle License Tax, Gasoline Tax, and Road and Bridge Funds in annual installments of \$8,837, which includes principal and interest.

The Township Road Improvement Note was entered into as a special assessment to be used for the Oakwood North Paving Project. The notes are collateralized by the full faith and credit of the Township. The notes are to be paid from special assessments collected by the Township from the property owners in the Oakwood North subdivision in a lump sum payment of \$26,194, which includes principal and interest. In October of 2004, this note was refinanced and Road Improvement Bonds were issued at a 5.13 percent interest rate payable in semi-annual installments over seven years.

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

	<u>Fire Truck Lease Purchase Agreement</u>	<u>Tractor and Mower Lease Purchase Agreement</u>	<u>Oakwood North Road Improvement Note</u>
Year ending December 31:			
2004	\$17,707	\$8,837	\$26,194
2005	17,707	8,837	
2006	17,707		
2007	17,707		
2008	17,707		
2009 – 2010	35,414		
Total	<u>\$123,949</u>	<u>\$17,674</u>	<u>\$26,194</u>

6. RETIREMENT SYSTEMS

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

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. RETIREMENT SYSTEMS (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Township has paid all contributions required through December 31, 2003.

7. RISK MANAGEMENT

The Township is a member of the Ohio Township Association Risk Management Authority (the Pool) which is a risk pool discussed in Note 8. The following risks are covered by the Pool:

- Legal Liability, third party claims coverage
- Automobile Liability
- Automobile Physical Damage
- Wrongful Acts
- Property, including building and contents and inland marine

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

8. RISK POOL MEMBERSHIP

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). 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 Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation. If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions. The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

8. RISK POOL MEMBERSHIP (Continued)

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:

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$27,792,223	\$23,757,036
Liabilities	(11,791,300)	(9,197,512)
Retained earnings	<u>\$16,000,923</u>	<u>\$14,559,524</u>

<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$6,791,060	\$6,596,996
Liabilities	(750,956)	(1,204,326)
Retained earnings	<u>\$6,040,104</u>	<u>\$5,392,670</u>

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
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, 2003 and 2002, and have issued our report thereon dated November 18, 2004, wherein we noted the Township did not properly record encumbrances in its budgetary presentation and wherein we noted the Township's financial transactions were processed using 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 conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2003-001 through 2003-007. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated November 18, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2003-002 through 2003-005, and 2003-007.

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider item 2003-007 listed above to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated November 18, 2004.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 18, 2004

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2003-001

Finding for Recovery Repaid Under Audit – Overcompensation of Employee

On November 30, 2002, Township employee, Charles E. Mattingly, was compensated for 144 hours worked and 16 hours of holiday pay during the month of November. However, Mr. Mattingly's time card indicated that he worked 128 hours, none of which was during the holidays. According to Township policies, employees are paid at their regular rate of pay for holidays on which they do not work. Mr. Mattingly was paid twice for 16 hours of holiday pay. The holiday pay was paid separately and was included in Mr. Mattingly's total hours worked. As a result, Mr. Mattingly was overpaid for 16 hours of work at \$9.20 per hour, or \$147.20.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Charles E. Mattingly, Muskingum Township employee, and Jerri Newell, Muskingum Township Clerk, and her surety, the Ohio Township Association Risk Management Authority, jointly and severally, in the amount of \$147.20, in favor of Muskingum Township.

Once this matter was brought to the attention of the Clerk and Mr. Mattingly, they were in agreement with the finding and Mr. Mattingly repaid the respective overpayment in full on November 4, 2004.

FINDING NUMBER 2003-002

Noncompliance Citation and Reportable Condition – Posting of Receipts

Ohio Rev. Code § 5705.10 requires all revenue derived from a specific source to be credited to a special fund for the purpose for which the monies were received.

During 2002, tangible personal property tax receipts were posted entirely to the Township's General Fund instead of being properly divided between the General, Road and Bridge, and Fire Levy Funds. As a result of the foregoing facts, an adjustment reducing the General Fund receipts by \$405 and increasing the Road and Bridge Fund and Fire Levy Fund receipts by \$281 and \$124, respectively, was necessary.

Also during 2002, the \$10,000 personal property tax exemption was not posted in accordance with the County Auditor tangible personal property tax settlement sheets. As a result of the foregoing facts, an adjustment decreasing the General Fund receipts by \$524 and increasing the Road and Bridge Fund and the Fire Levy Fund receipts by \$364 and \$160, respectively, was necessary.

During 2003, permissive motor vehicle license tax receipts were incorrectly posted to the General Fund. As a result of the foregoing facts, an adjustment reducing the General Fund receipts by \$1,245 and increasing the Permissive Motor Vehicle License Tax Fund receipts by \$1,245 was necessary.

Also during 2003, gasoline tax receipts were incorrectly posted to the Motor Vehicle License Tax Fund. As a result of the foregoing facts, an adjustment reducing the Motor Vehicle License Tax Fund receipts by \$2,977 and increasing the Gasoline Tax Fund receipts by \$2,977 was necessary.

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2003-002 (Continued)

Noncompliance Citation and Reportable Condition – Posting of Receipts (Continued)

Ohio Rev. Code § 5705.10 (Continued)

In addition, the \$10,000 personal property tax exemption was not posted in accordance with the County Auditor tangible personal property tax settlement sheets. As a result of the foregoing facts, an adjustment decreasing the General Fund receipts by \$637, and increasing the Road and Bridge Fund and Fire Levy Fund receipts by \$367 and \$270, respectively, was necessary.

During 2003, the Township received special assessment funding to be used for repairs necessary to Applo Way Road. The receipts were posted to the Road and Bridge Fund instead of the Applo Way Fund. As a result of the foregoing facts, an adjustment decreasing the Road Bridge Fund receipts by \$1,000 and increasing the receipts in the Applo Way Fund by \$1,000 was necessary.

These adjustments, with which management agrees, have been posted to the Township's books and are reflected in the accompanying financial statements. We recommend the Township Clerk post all receipts to the proper fund.

FINDING NUMBER 2003-003

Noncompliance Citation and Reportable Condition – Payment of Trustee Benefits

Ohio Rev. Code § 505.24 states the amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid only from the township general fund or from such funds in proportions as the board may specify by resolution.

The Township had no resolution in place allowing for the payment of trustee salaries to be paid from any fund other than the General Fund. During 2002, the Township Trustees' salaries were paid 100% from the General Fund; however, during 2002, the Township's portion of PERS was paid from the Motor Vehicle License Tax Fund, instead of the General Fund. As a result of the foregoing facts, an adjustment increasing expenditures in the General Fund by \$1,007, and decreasing Motor Vehicle License Tax Fund expenditures by \$1,007, was necessary.

This adjustment, with which management agrees, has been posted to the Township's books and is reflected in the accompanying financial statements. We recommend that, if the Township is going to pay the Trustees' salaries and benefits from any fund other than the General Fund, then a formal resolution should be adopted stating from which funds Trustees' salaries and benefits are to be paid. Compensation should be paid from funds in proportion to services provided.

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

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

FINDING NUMBER 2003-004

Noncompliance Citation and Reportable Condition – Payment of Clerk Benefits

Ohio Rev. § 5705.10 states money paid into a fund may only be used for the purpose for which the fund is established. As the Clerk’s duties are administrative in nature, and the Motor Vehicle License Tax Fund and the Road and Bridge Fund may not be used to pay for general administrative services, the Clerk’s salary and benefits should therefore be paid from the Township’s General Fund.

During 2002, the Township paid \$1,192 of the Clerk’s health insurance premium out of the Motor Vehicle License Tax Fund and paid \$1,192 of the Clerk’s health insurance premium out of the Road and Bridge Fund. As a result of the foregoing facts, an adjustment increasing the expenditures in the General Fund by \$2,384 and decreasing Motor Vehicle License Tax Fund and Road and Bridge Fund expenditures each by \$1,192, was necessary.

In addition, during 2002, the Township’s portion of the Clerk’s PERS was paid from the Motor Vehicle License Tax Fund. As a result of the foregoing facts, an adjustment increasing expenditures in the General Fund by \$503 and decreasing Motor Vehicle License Tax Fund expenditures by \$503 was necessary.

These adjustments, with which management agrees, have been posted to the Township’s books and are reflected in the accompanying financial statements. We recommend the Township pay the Clerk’s salary and benefits from the General Fund.

FINDING NUMBER 2003-005

Noncompliance Citation and Reportable Condition – Posting Appropriations

Ohio Rev. Code § 5705.40 provides that any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation.

The appropriations as approved by the Board did not agree to the appropriations entered into the appropriations ledger. The following schedules compare approved appropriations to those posted to the appropriations ledger.

December 31, 2002:

Fund	Approved Appropriations	Appropriations Posted to the UAN system	Variance
Motor Vehicle License Tax Fund	\$69,970	\$74,970	\$5,000
Gasoline Tax Fund	\$72,343	\$70,343	\$2,000
Road and Bridge Fund	\$74,332	\$119,332	\$45,000

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

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

FINDING NUMBER 2003-005 (Continued)

Noncompliance Citation and Reportable Condition – Posting Appropriations (Continued)

Ohio Rev. Code § 5705.40 (Continued)

December 31, 2003:

Fund	Approved Appropriations	Appropriations Posted to the UAN system	Variance
General Fund	\$92,910	\$121,524	\$28,614
Motor Vehicle License Tax Fund	\$35,020	\$64,697	\$29,677
Gasoline Tax Fund	\$57,680	\$82,424	\$24,744
Road and Bridge Fund	\$101,044	\$184,914	\$83,870
Fire District Fund	\$74,297	\$87,386	\$13,089
Federal Emergency Disaster Fund	\$0	\$4,075	\$4,075

Appropriations reported in Note 3 have been adjusted to reflect only those appropriations adopted by the Board, as noted in the Board's minutes.

We recommend the Board approve all appropriation amendments and note the approval in the Board's minutes. We also recommend the Clerk file all appropriation amendments with the County Auditor, as required by Ohio Rev. Code Section 5705.39, in order to receive certification from the County Auditor that appropriations do not exceed estimated resources and post appropriation amendments to the accounting system only after both the Board and the County Auditor have approved and certified the amendments.

FINDING NUMBER 2003-006

Noncompliance Citation – Expenditures Exceeding Appropriations

Ohio Rev. Code § 5705.41(B) prohibits each subdivision and taxing authority from expending money unless it has been appropriated.

The following schedule compares approved appropriations to actual expenditures for 2003.

December 31, 2003:

Fund	Approved Appropriations	Expenditures	Variance
General Fund	\$92,910	\$100,735	(\$7,825)
Road and Bridge Fund	\$101,044	\$154,308	(\$52,264)
Federal Emergency Management Agency Fund	\$0	\$4,075	(\$4,075)

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2003-006 (Continued)

Noncompliance Citation – Expenditures Exceeding Appropriations (Continued)

Ohio Rev. Code § 5705.41(B) (Continued)

We recommend the Board of Trustees and the Clerk compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, then the Board should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations. Once the Board has adopted additional appropriations, the County Budget Commission (County Auditor) should certify that appropriations do not exceed estimated resources, as required by Ohio Rev. Code Section 5705.39. The Clerk should not make any expenditure unless appropriations are available.

FINDING NUMBER 2003-007

Noncompliance Citation and Material Weakness – Clerk’s Certification of Funds

Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer’s certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **“Then and Now” certificate** - If the fiscal officer (Clerk) can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority (Board of Township Trustees) can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution. Amounts of less than \$1,000 (which was increased to \$3,000 on April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2003-007 (Continued)

Noncompliance Citation and Material Weakness – Clerk’s Certification of Funds (Continued)

Ohio Rev. Code § 5705.41(D)(1) (Continued)

- 2. Blanket Certificate** – Fiscal officers may prepare “blanket” certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Effective September 26, 2003, certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend beyond the end of the fiscal year. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.
- 3. Super Blanket Certificate** – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

The Township did not properly certify the availability of funds prior to purchase commitment for 35% of the 2003 expenditure transactions tested and for 55% of the 2002 expenditure transactions tested. There was no evidence the Township had followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending and negative cash fund balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township’s funds exceeding budgetary spending limitations, we recommend the Clerk certify that funds are or will be available prior to obligation by the Township. When prior certification is not possible, “then and now” certification should be used.

We recommend the Township certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification prior to the Township incurring a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 and 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-001	Finding for Recovery for overpayment of officials' salaries	Yes	Corrected
2001-002	Unauthorized Life Insurance Policies	Yes	Corrected
2001-003	Ohio Rev. Code § 5575.01, failure to obtain bids	Yes	Corrected
2001-004	Ohio Rev. Code § 5705.41(B), expenditures exceeding appropriations	No	Reissued as Finding Number 2003-006
2001-005	Ohio Rev. Code § 5705.10, failure to credit the proper fund for monies designated to be received for that fund	No	Reissued as Fnding Number 2003-002
2001-006	Ohio Rev. Code § 5705.10 and 135.21, failure to credit interest to the proper funds	Yes	Corrected
2001-007	Ohio Rev. Code § 5705.41(C) and § 507.11, failure to expend money by a check signed by at least the Clerk and two Trustees	Yes	Corrected.
2001-008	Ohio Rev. Code § 149.351, destruction of public records	Yes	Corrected
2001-009	Ohio Rev. Code § 5705.40, failure to properly amend appropriations	No	Reissued as Finding Number 2003-005
2001-010	Ohio Rev. Code § 5705.41(D), failure to properly certify funds	No	Reissued as Finding Number 2003-007
2001-011	Ohio Admin. Code § 117-2-02(C)(1), failure to post budgeted receipts to the system	No	Partially corrected. This finding was not corrected for 2002 but was corrected for 2003. This finding was not reissued.

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-012	Material weakness for failure to perform accurate cash reconciliations	Yes	Corrected
2001-013	Material weakness addressing payroll system and documentation	Yes	Corrected
2001-014	Material weakness addressing vouchered cash disbursements	Yes	Corrected
2001-015	Material weakness addressing financial monitoring by the Board of Trustees	Yes	Corrected
2001-016	Reportable condition addressing the Township cellular phones and repayment of personal calls made on those phones	Yes	Corrected



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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 28, 2004**