



Dave Yost • Auditor of State



**MUSKINGUM TOWNSHIP  
WASHINGTON COUNTY  
DECEMBER 31, 2017 AND 2016**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Muskingum Township  
Washington County  
29 Townhall Rd.  
Marietta, Ohio 45750

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Muskingum Township, Washington County, Ohio (the Township), as of and for the years ended December 31, 2017 and 2016.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2017 and 2016, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Muskingum Township, Washington County, Ohio, as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 2.

***Emphasis of Matter***

As discussed in Note 11 to the 2016 financial statements, the Township restated the January 1, 2016 fund balances, increasing the General, Road and Bridge Special Revenue and Debt Service Funds by \$477, \$202 and \$37, respectively. Our opinion is not modified with respect to this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2018, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

June 7, 2018

**Muskingum Township**  
**Washington County**

*Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)  
All Governmental Fund Types  
For the Year Ended December 31, 2017*

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>						
Property and Other Local Taxes	\$100,467	\$554,177	\$0	\$0	\$0	\$654,644
Charges for Services	0	37,412	0		0	37,412
Licenses, Permits and Fees	1,644	10,400	0	0	0	12,044
Intergovernmental	40,736	494,170	0	0	0	534,906
Special Assessments	0	13,903	0	0	0	13,903
Earnings on Investments	993	176	0	0	1	1,170
Miscellaneous	5,660	92,332	0	0	0	97,992
	<u>149,500</u>	<u>1,202,570</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>1,352,071</u>
<b>Cash Disbursements</b>						
Current:						
General Government	111,819	10,401	0	2,538	0	124,758
Public Safety	0	402,038	0	0	0	402,038
Public Works	5,480	348,044	0	0	0	353,524
Health	29,400	18,777	0	0	0	48,177
Conservation-Recreation	0	260,625	0	0	0	260,625
Debt Service:						
Principal Retirement	0	39,963	0	0	0	39,963
Interest and Fiscal Charges	0	3,288	0	0	0	3,288
<i>Total Cash Disbursements</i>	<u>146,699</u>	<u>1,083,136</u>	<u>0</u>	<u>2,538</u>	<u>0</u>	<u>1,232,373</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,801</u>	<u>119,434</u>	<u>0</u>	<u>(2,538)</u>	<u>1</u>	<u>119,698</u>
<b>Other Financing Receipts (Disbursements)</b>						
Sale of Capital Assets	500	0	0	27,330	0	27,830
Advances In	65,000	90,000	0	0	0	155,000
Advances Out	(90,000)	(65,000)	0	0	0	(155,000)
Other Financing Sources	0	5,568	0	0	0	5,568
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(24,500)</u>	<u>30,568</u>	<u>0</u>	<u>27,330</u>	<u>0</u>	<u>33,398</u>
<i>Net Change in Fund Cash Balances</i>	<u>(21,699)</u>	<u>150,002</u>	<u>0</u>	<u>24,792</u>	<u>1</u>	<u>153,096</u>
<i>Fund Cash Balances, January 1</i>	<u>220,694</u>	<u>436,759</u>	<u>83</u>	<u>0</u>	<u>818</u>	<u>658,354</u>
<b>Fund Cash Balances, December 31</b>						
Nonspendable	0	0	0	0	400	400
Restricted	0	462,395	83	24,792	419	487,689
Committed	0	124,366	0	0	0	124,366
Assigned	194,700	0	0	0	0	194,700
Unassigned	4,295	0	0	0	0	4,295
<i>Fund Cash Balances, December 31</i>	<u>\$198,995</u>	<u>\$586,761</u>	<u>\$83</u>	<u>\$24,792</u>	<u>\$819</u>	<u>\$811,450</u>

See accompanying notes to the basic financial statements.

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**MUSKINGUM TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**Note 1 - Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the 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 services (Oak Grove Volunteer Fire Department). The Township also contracts with the Devola Volunteer Fire Department for fire protection and emergency medical services.

***Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations***

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

***General Fund*** The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

***Motor Vehicle License Tax Fund*** This fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

***Gasoline Tax Fund*** This fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

***Road and Bridge Fund*** This fund accounts for and reports that portion of property tax money for constructing, maintaining, and repairing Township roads and bridges.

**MUSKINGUM TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017  
(Continued)**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

*Special Revenue Funds (Continued)*

***Fire District Fund (Oak Grove)*** This fund receives property tax money for providing fire services and prevention.

***Fire District Devola Fund*** This fund receives property tax money for providing fire services and prevention.

***Cemetery Fund*** This fund receives money from the sale of cemetery plots and the cost of grave openings and closing and is used for cemetery maintenance.

***Permissive Sales Tax Fund*** This fund receives money from the county from sales tax receipts and constructing, maintaining, and repairing Township roads and bridges.

***Street Lighting Fund*** This is fund receives money from a special assessment for street lighting and is used to pay for electricity costs associated with the lighted areas.

***Oak Grove Recreational Center Fund*** This fund receives funds for the rental of the park and building as well as fundraising events and funds are used for the operations of the recreation area.

***Sign Grant Fund*** This fund accounts for “on-behalf” purchases of Township signage through the Ohio Department of Transportation (ODOT).

***ODOT WWW Devola Multiuse Path Fund*** This fund accounts for “on-behalf” contract costs through ODOT for an engineering study for path extension.

***ODNR RTP Devola Multiuse Trail*** This fund receives grant monies from the Ohio Department of Natural Resources, as well as local match funds from the Marietta Community Foundation for the construction and improvement of the Devola Multi-Use Trail.

***Debt Service Fund*** These funds account for resources the Township accumulates to pay bond and note debt. The Township had the following Debt Service Fund:

***General Bod Retirement Fund*** This fund carries a residual balance from previously retired debt.

***Capital Project Funds*** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following Capital Project Fund:

***Oak Grove Recreation Center Fund*** This fund accounts for the proceeds of the sale of the Oak Grove Recreation Center which are restricted for capital improvement.

**MUSKINGUM TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017  
(Continued)**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

*Fund Accounting (Continued)*

**Permanent Funds** These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant Permanent Funds:

**Highland Ridge Permanent Fund** This fund receives interest earned on the nonspendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's Cemetery.

**Rayley Permanent Fund** This fund receives interest earned on the nonspendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

*Basis of Accounting*

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

*Budgetary Process*

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**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 Township Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

**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.

**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 2017 budgetary activity appears in Note 3.

**MUSKINGUM TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017  
(Continued)**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

*Deposits and Investments*

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

*Capital Assets*

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

*Fund Balance*

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:

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

*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.

*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.

*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.

*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.

**MUSKINGUM TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017  
(Continued)**

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$114,500	\$150,000	\$35,500
Special Revenue	1,203,665	1,208,138	4,473
Capital Projects	29,868	27,330	(2,538)
Permanent	1	1	0
Total	\$1,348,034	\$1,385,469	\$37,435

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$314,550	\$146,699	\$167,851
Special Revenue	1,511,111	1,083,136	427,975
Capital Projects	2,538	2,538	0
Permanent	125	0	125
Total	\$1,828,324	\$1,232,373	\$595,951

**Note 4 - 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:

	2017
Demand deposits	\$811,450

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**Note 5 - Taxes**

***Property Taxes***

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council 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.

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

**MUSKINGUM TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017  
(Continued)**

**Note 6 - Debt**

Debt outstanding at December 31, 2017, was as follows:

	Principal	Interest Rate
Fire Equipment Bonds	\$26,750	2.75%
Road Equipment Bonds	46,645	2.99%
Total	\$73,395	

The Township issued general obligation bonds in 2014 to finance the purchase of fire equipment for the Oak Grove Volunteer Fire Department. The Township's taxing authority collateralized the bonds.

The Township issued general obligation bonds in 2015 to finance the purchase of a new truck and equipment for Township road maintenance. The Township's taxing authority collateralized the bonds.

***Amortization***

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

	Fire Equipment Bonds	Road Equipment Bonds
Year Ending December 31:		
2018	\$26,750	\$16,501
2019	0	16,501
2020	0	16,501
Total	\$26,750	\$49,503

**Note 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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**MUSKINGUM TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017  
(Continued)**

**Note 7 - Risk Management (Continued)**

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2017, OTARMA retained \$350,000 for casualty claims and \$250,000 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, 2017.

	<u>2017</u>
Assets	\$40,010,732
Liabilities	<u>8,675,465</u>
Net Position	\$31,335,267

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$8,000.

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

2017 Contributions to OTARMA  
\$18,268

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.

**MUSKINGUM TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017  
(Continued)**

**Note 8 - Defined Benefit Pension Plans**

Township 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. 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, 2017.

**Note 9 - Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**Note 10 – 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.



**Muskingum Township**  
**Washington County**

*Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)  
All Governmental Fund Types  
For the Year Ended December 31, 2016*

	General	Special Revenue	Debt Service	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$86,008	\$476,513	\$0	\$0	\$562,521
Charges for Services	0	38,652	0	0	38,652
Licenses, Permits and Fees	1,587	6,600	0	0	8,187
Intergovernmental	39,509	282,789	0	0	322,298
Special Assessments	935	12,949	0	0	13,884
Earnings on Investments	904	146	0	1	1,051
Miscellaneous	1,532	4,593	0	0	6,125
	<u>130,475</u>	<u>822,242</u>	<u>0</u>	<u>1</u>	<u>952,718</u>
<b>Cash Disbursements</b>					
Current:					
General Government	133,861	10,522	0	0	144,383
Public Safety	0	348,118	0	0	348,118
Public Works	138	298,444	0	0	298,582
Health	29,376	14,906	0	0	44,282
Conservation-Recreation	840	20,432	0	0	21,272
Debt Service:					
Principal Retirement	0	38,337	0	0	38,337
Interest and Fiscal Charges	0	4,880	0	0	4,880
<i>Total Cash Disbursements</i>	<u>164,215</u>	<u>735,639</u>	<u>0</u>	<u>0</u>	<u>899,854</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(33,740)</u>	<u>86,603</u>	<u>0</u>	<u>1</u>	<u>52,864</u>
<b>Other Financing Receipts (Disbursements)</b>					
Sale of Capital Assets	7,000	0	0		7,000
Advances In	10,000	0	0	0	10,000
Advances Out	0	(10,000)	0	0	(10,000)
Other Financing Sources	0	7,230			7,230
<i>Total Other Financing Receipts (Disbursements)</i>	<u>17,000</u>	<u>(2,770)</u>	<u>0</u>	<u>0</u>	<u>14,230</u>
<i>Net Change in Fund Cash Balances</i>	<u>(16,740)</u>	<u>83,833</u>	<u>0</u>	<u>1</u>	<u>67,094</u>
<i>Fund Cash Balances, January 1 (Restated)</i>	<u>237,434</u>	<u>352,926</u>	<u>83</u>	<u>817</u>	<u>591,260</u>
<b>Fund Cash Balances, December 31</b>					
Nonspendable	0	0	0	400	400
Restricted	0	372,412	83	418	372,913
Committed	0	64,347	0	0	64,347
Assigned	220,694	0	0	0	220,694
<i>Fund Cash Balances, December 31</i>	<u>\$220,694</u>	<u>\$436,759</u>	<u>\$83</u>	<u>\$818</u>	<u>\$658,354</u>

*See accompanying notes to the basic financial statements.*

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**MUSKINGUM TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**Note 1 - Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the 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 services (Oak Grove Volunteer Fire Department). The Township also contracts with the Devola Volunteer Fire Department for fire protection and emergency medical services.

***Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations***

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

***General Fund*** The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

***Road and Bridge Fund*** This fund accounts for and reports that portion of property tax money for constructing, maintaining, and repairing Township roads and bridges.

***Fire District Fund (Oak Grove)*** This fund receives property tax money for providing fire services and prevention.

**MUSKINGUM TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(Continued)**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

*Fund Accounting (Continued)*

**Debt Service Fund** These funds account for resources the Township accumulates to pay bond and note debt. The Township had the following Debt Service Fund:

**General Bod Retirement Fund** This fund carries a residual balance from previously retired debt.

**Permanent Funds** These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant Permanent Funds:

**Highland Ridge Permanent Fund** This fund receives interest earned on the nonspendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's Cemetery.

**Rayley Permanent Fund** This fund receives interest earned on the nonspendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

***Budgetary Process***

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**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 Township Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

**MUSKINGUM TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(Continued)**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Budgetary Process (Continued)***

***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.

***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 2016 budgetary activity appears in Note 3.

***Deposits and Investments***

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

***Capital Assets***

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

***Fund Balance***

Fund balance is divided into four 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:

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

***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.

***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.

***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.

**MUSKINGUM TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(Continued)**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Fund Balance (Continued)***

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.

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$114,217	\$137,476	\$23,259
Special Revenue	803,972	829,472	25,500
Permanent	1	1	0
Total	\$918,190	\$966,949	\$48,759

  

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$347,250	\$164,215	\$183,035
Special Revenue	1,077,971	735,639	342,332
Permanent	0	0	0
Total	\$1,425,221	\$899,854	\$525,367

**Note 4 - 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:

	2016
Demand deposits	\$658,354

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**MUSKINGUM TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(Continued)**

**Note 5 - Taxes**

*Property Taxes*

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council 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.

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

**Note 6 - Debt**

Debt outstanding at December 31, 2016, was as follows:

	Principal	Interest Rate
Fire Equipment Bonds	\$51,343	2.75%
Road Equipment Bonds	61,289	2.99%
Total	\$112,632	

The Township issued general obligation bonds in 2014 to finance the purchase of fire equipment for the Oak Grove Volunteer Fire Department. The Township's taxing authority collateralized the bonds.

The Township issued general obligation bonds in 2015 to finance the purchase of a new truck and equipment for Township road maintenance. The Township's taxing authority collateralized the bonds.

*Amortization*

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

	Fire Equipment Bonds	Road Equipment Bonds
Year Ending December 31:		
2017	\$26,750	\$16,501
2018	\$26,750	\$16,501
2019	0	16,501
2020	0	16,501
Total	\$53,500	\$66,004

**Note 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.

**MUSKINGUM TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(Continued)**

**Note 7 - Risk Management (Continued)**

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. 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

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2016, OTARMA retained \$350,000 for casualty claims and \$250,000 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, 2016 (the latest information available).

	<u>2016</u>
Assets	\$38,473,283
Liabilities	<u>8,244,140</u>
Net Position	\$30,229,143

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$8,000.

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

2016 Contributions to OTARMA

\$18,095



**MUSKINGUM TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(Continued)**

**Note 7 - Risk Management (Continued)**

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.

**Note 8 - Defined Benefit Pension Plans**

Township 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. 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, 2016.

**Note 9 - Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**Note 10 – 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.

**Note 11 - Restatement of Fund Balances**

The Township's audited Special Revenue Fund cash balances at December 31, 2015 erroneously included \$40 which was included in the Debt Service Fund in the Township's accounting system. As a result the Road and Bridge Special Revenue Fund balance was decreased by \$40 and the General Bond Retirement Debt Service Fund was increased by \$40. The net effect of these changes to the January 1, 2016 fund balances are as follows:

Fund Type	12/31/15 Balance	Adjustment	01/01/16 Balance
General Fund	\$236,957	\$477	\$237,434
Special Revenue Funds	352,724	202	352,926
Debt Service Fund	46	37	83

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# Dave Yost • Auditor of State

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

Muskingum Township  
Washington County  
29 Townhall Rd.  
Marietta, Ohio 45750

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Muskingum Township, Washington County, Ohio (the Township), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated June 7, 2018, wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Also, the Township restated the January 1, 2016 fund balance increasing the General, Road and Bridge Special Revenue and Debt Service Funds.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider Finding 2017-001 to be a material weakness.

***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, opining 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*.

***Entity's Response to the Finding***

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.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

June 7, 2018

**MUSKINGUM TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2017-001**

**Material Weakness**

In our audit engagement letter, as required by AU-C § 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C § 210 paragraphs .A14 & .A16.

Additionally, Auditor of State Bulletin 2011-004 mandated Governmental Accounting Standard Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions for financial statements for periods beginning after June 15, 2010.

For the years ended December 31, 2017 and 2016, the Fiscal Officer made certain posting errors resulting in audit adjustments as follows:

- Permissive sales tax receipts from the county were improperly classified as property and other local tax receipts rather than as intergovernmental receipts in both 2017 and 2016. As a result, property and other local taxes of \$110,620 for 2017 and \$116,320 for 2016 were reclassified as intergovernmental receipts.
- Oak Grove Recreational Center receipts relating to classroom, stage, and gym rentals were misposted as miscellaneous receipts rather than as charges for services. As a result, miscellaneous receipts of \$16,190 for 2017 and \$25,042 from 2016 were reclassified as charges for services.
- Cemetery receipts relating to the sale of grave plots and opening graves were misposted as miscellaneous receipts rather than as charges for services. As a result, miscellaneous receipts of \$8,085 for 2017 and \$9,945 for 2016 were reclassified as charges for services.
- The Township sold the Oak Grove Recreational Center in 2017 and the proceeds of the sale (\$27,330), as well as the related expenditures were improperly posted in the Oak Grove Recreation Permanent Fund rather than the Oak Grove School Capital Projects Fund.

Contrary to the GASB 54 fund balance definitions listed in the Bulletin 2011-004, at December 31, the Fiscal Officer misclassified certain fund balances as follows:

- A portion of the General Fund December 31, 2017 and 2016 balances were included as part of the subsequent year's appropriations and, therefore, misclassified as unassigned rather than as assigned. As a result, \$194,700 of the December 31, 2017 and \$220,694 of the December 31, 2016 General Fund balance was reclassified as assigned.
- The portion of the Permanent Funds' December 31, 2017 fund balance attributable to CD's was misclassified as restricted rather nonspendable. As a result, the 2017 portion representing the CD's to date of \$400 was reclassified as nonspendable at December 31, 2017.
- The portion of the Permanent Funds' December 31, 2017 fund balance attributable to the sale of the Oak Grove Recreational Center was misclassified as a Permanent Fund when the intent was to use the proceeds for future capital projects. As a result, the 2017 activity and ending balance of \$24,792 were reclassified as a Capital Projects Fund.
- The Road and Bridge Fund balance was improperly classified as restricted rather than as committed at December 31, 2016. The tax levy for this fund is within the ten mil limitation, which is an internal restriction. As a result, the Road and Bridge Fund balance of \$64,347 was reclassified as committed.

**MUSKINGUM TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2017-001 (Continued)**

**Material Weakness (Continued)**

These material reclassifications and adjustments, to which management agree, have been adjusted in the accompanying Township's financial statements

The Fiscal Officer should refer to the Ohio Township Handbook for guidance on the proper classification of receipts and on-behalf transactions and to Auditor of State Bulletin 2011-004 for guidance on the proper classification of the fund balances. These reclassifications and adjustments, with which management agrees, are reflected in the audited financial statements.

**Official's Response:** We will make adjustments going forward.

# MUSKINGUM TOWNSHIP

## WASHINGTON COUNTY

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### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2017 AND 2016

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2015-001	Material Weakness for misposting of various receipts and disbursements.	Not Corrected	The Fiscal Officer will continue to consult the Township Handbook to correct this issue going forward.

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# Dave Yost • 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  
JUNE 21, 2018**