



Mary Taylor, CPA  
Auditor of State



MUSKINGUM TOWNSHIP  
MUSKINGUM COUNTY

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Mary Taylor, CPA  
Auditor of State

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

December 23, 2008

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Muskingum Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity-wide statements and also presenting the Township's larger (i.e., major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110  
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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Also in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Muskingum Township, Muskingum County, Ohio, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2008, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

December 23, 2008



**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, 2007**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$80,294	\$282,246		\$362,540
Intergovernmental	29,258	149,170		178,428
Special Assessments			\$8,963	8,963
Earnings on Investments	7,921	1,709		9,630
Miscellaneous	1,243	321		1,564
	<u>118,716</u>	<u>433,446</u>	<u>8,963</u>	<u>561,125</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	134,346	8,626		142,972
Public Safety		76,847		76,847
Public Works		282,076		282,076
Capital Outlay		32,781		32,781
Debt Service:				
Redemption of Principal		36,515	6,639	43,154
Interest and Other Fiscal Charges		1,627	1,896	3,523
	<u>134,346</u>	<u>438,472</u>	<u>8,535</u>	<u>581,353</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(15,630)</u>	<u>(5,026)</u>	<u>428</u>	<u>(20,228)</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Sale of Notes		25,890		25,890
Other Financing Sources		2,210		2,210
	<u>0</u>	<u>28,100</u>	<u>0</u>	<u>28,100</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(15,630)	23,074	428	7,872
Fund Cash Balances, January 1	<u>(20,870)</u>	<u>176,461</u>	<u>0</u>	<u>155,591</u>
<b>Fund Cash Balances, December 31</b>	<b><u>(\$36,500)</u></b>	<b><u>\$199,535</u></b>	<b><u>\$428</u></b>	<b><u>\$163,463</u></b>

*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, 2006**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$71,439	\$262,174		\$333,613
Intergovernmental	28,817	137,499		166,316
Special Assessments			\$8,480	8,480
Earnings on Investments	6,942	1,748		8,690
Miscellaneous	108			108
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	107,306	401,421	8,480	517,207
<b>Cash Disbursements:</b>				
Current:				
General Government	151,640			151,640
Public Safety		61,057		61,057
Public Works		229,792		229,792
Debt Service:				
Redemption of Principal		29,899	6,297	36,196
Interest and Other Fiscal Charges		3,562	2,183	5,745
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	151,640	324,310	8,480	484,430
Total Cash Receipts Over/(Under) Cash Disbursements	(44,334)	77,111	0	32,777
Fund Cash Balances, January 1	23,464	99,350	0	122,814
<b>Fund Cash Balances, December 31</b>	<b><u>(\$20,870)</u></b>	<b><u>\$176,461</u></b>	<b><u>\$0</u></b>	<b><u>\$155,591</u></b>

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

**MUSKINGUM TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Muskingum Township, Muskingum County (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with the Muskingum Township Volunteer Fire Department to provide fire services and Community Ambulance Services to provide emergency medical services.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from 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, 2007 AND 2006  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**C. Fund Accounting (Continued)**

**3. Debt Service Funds**

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

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

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

**D. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. 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 carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**E. Property, Plant, and Equipment**

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

**MUSKINGUM TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**F. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. Equity in Pooled Cash**

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

	2007	2006
Demand deposits	\$163,463	\$155,591

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$113,943	\$118,716	\$4,773
Special Revenue	417,787	461,546	43,759
Debt Service	8,821	8,963	142
Total	\$540,551	\$589,225	\$48,674

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$161,329	\$134,346	\$26,983
Special Revenue	525,992	438,472	87,520
Debt Service	8,821	8,535	286
Total	\$696,142	\$581,353	\$114,789

**MUSKINGUM TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**3. Budgetary Activity (Continued)**

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$98,160	\$107,306	\$9,146
Special Revenue	401,614	401,421	(193)
Debt Service	8,821	8,480	(341)
Total	\$508,595	\$517,207	\$8,612

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$164,850	\$151,640	\$13,210
Special Revenue	457,738	324,310	133,428
Debt Service	8,821	8,480	341
Total	\$631,409	\$484,430	\$146,979

Audit adjustments were made to reflect Township trustees' salaries and fringe benefits being paid from the General Fund rather than the Road and Bridge Fund in the amounts of \$24,630 and \$43,626 for 2007 and 2006, respectively. The comparisons presented above include corresponding audit adjustments to the budgetary expenditures and appropriation authority amounts for these funds. The Township's General Fund maintained a positive fund balance throughout 2006 and 2007 and the negative fund balance reported in the accompanying financial statements resulted from posting audit adjustments. As of the date of this report, the Township's General Fund had a positive fund balance.

Contrary to Ohio law, the Township did not obtain the fiscal officer's certification prior to incurring Township obligations, in some instances. Also contrary to Ohio law, appropriations exceeded the unencumbered beginning balance plus actual receipts in the Motor Vehicle License Tax Fund by \$1,797 for the year ended December 31, 2007. In addition, appropriations exceeded the unencumbered beginning balance plus actual receipts in the Motor Vehicle License Tax Fund by \$191, in the Gasoline Tax Fund by \$1,740, and in the Permissive Motor Vehicle License Tax Fund by \$4,237 for the year ended December 31, 2006. Contrary to Ohio law, expenditures were made prior to the passage of the annual appropriation measure without a temporary appropriation measure being adopted by the Township for the year ended December 31, 2006. Also contrary to Ohio law, appropriations as approved by the Board did not agree to the appropriations entered into the accounting system for the Fire District Fund for the year ended December 31, 2006.

**4. Property Tax**

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

**MUSKINGUM TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**4. Property Tax (Continued)**

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**5. Debt**

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2004 - Equipment Lease Purchase Agreement	\$14,856	4.81%
2004 - Township Road Improvement Bond	15,507	5.13%
2005 - Township Road Improvement Bond	18,799	5.16%
2007 - Equipment Lease Purchase Agreement	25,890	4.63%
Total	<u>\$75,052</u>	

The 2004 equipment lease purchase agreement was entered into to obtain a dump truck. The lease is collateralized by the dump truck. The lease is being paid from the Motor Vehicle License Tax, Permissive Motor Vehicle License Tax, and the Road and Bridge funds in annual installments of \$15,571, which includes principal and interest.

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

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

The 2007 equipment lease purchase agreement was entered into to obtain a rotary boom mower. The lease is being paid from the Gasoline Tax and the Road and Bridge funds in annual installments of \$7,540, which includes principal and interest.

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

**MUSKINGUM TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**5. Debt (Continued)**

Year ending December 31:	2004 Equipment Lease Purchase	2004 Township Road Improvement Bond	2005 Township Road Improvement Bond	2007 Equipment Lease Purchase
2008	\$15,571	\$4,346	\$4,315	\$7,540
2009		4,346	4,315	7,540
2010		4,346	4,315	7,540
2011		4,346	4,315	7,540
2012			4,315	
Total	<u>\$15,571</u>	<u>\$17,384</u>	<u>\$21,575</u>	<u>\$30,160</u>

**6. Retirement System**

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5% and 9%, respectively, of their gross salaries and the Township contributed an amount equaling 13.85% and 13.7%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

**7. Risk Management**

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

**Risk Pool Membership**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. 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.



**MUSKINGUM TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**7. Risk Management (Continued)**

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim 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 \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2007 and 2006.

**MUSKINGUM TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**7. Risk Management (Continued)**

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$8,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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

<u>Contributions to OTARMA</u>	
2005	\$10,260
2006	\$10,215
2007	\$8,455

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

**8. Contingent Liabilities**

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



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Trustees:

We have audited the financial statements of Muskingum Township, Muskingum County, Ohio (the Township) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated December 23, 2008, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2007-001, 2007-003 and 2007-004.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding numbers 2007-001, 2007-003 and 2007-004 are also material weaknesses.

We also noted a certain internal control matter that we reported to the Township's management in a separate letter dated December 23, 2008.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2007-001 and 2007-002. In a separate letter to the Township's management dated December 23, 2008, we reported other matters related to noncompliance we deemed immaterial.

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



**Mary Taylor, CPA**  
Auditor of State

December 23, 2008

**MUSKINGUM TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-001**

**Material Noncompliance and Material Weakness**

Ohio Rev. Code § 505.24(C) sets forth the method by which township trustees' compensation should be allocated. This Section is amplified by Ohio Attorney General Opinion No. 2004-036. This Section requires that compensation of a township trustee must be paid from the township General Fund or from such other restricted township funds, in such proportions based on the amount of time spent on matters related to the services rendered. In addition, OAG Opinion No. 2004-036 indicates trustees should establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matters related to the services rendered. There is no one method for documenting time and the kinds of services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service(s) performed, in a manner similar to trustees paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from these other funds. The requirements of Section 505.24(C) were noted in the Muskingum Township audit report for the audit conducted for years ending December 31, 2005 and 2004.

For 2007 and 2006, the salaries of the Board of Trustees were paid from the Road and Bridge Fund. The Board of Trustees did not establish administrative procedures or prepare documentation for how they spent their time and the type of services performed. It is necessary for trustees to document their time in order to substantiate that the salaries and insurance benefits were allocated to the proper funds. Trustees' salaries are to be paid from the General Fund unless administrative procedures are established to document the proportionate amount of the Trustees' salaries chargeable to other Township funds.

As a result, adjustments were necessary to reflect payment of trustees' salaries and fringe benefits in the General Fund, rather than the Road and Bridge Fund. These adjustments, with which management agrees, have been posted to the Township's records and are reflected in the accompanying financial statements. Once audit adjustments were posted to the financial statements, the General Fund had a negative cash balance at December 31, 2006 and 2007. However, these negative fund balances do not indicate deficit spending by the Township during 2006 and 2007.

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

**Officials' Response:**

Township officials will maintain documentation concerning the kinds of services rendered in the event Trustee salaries and fringe benefits are paid from any fund other than the General Fund.

**MUSKINGUM TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2007-002**

**Material Noncompliance**

Ohio Rev. Code § 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the County Budget Commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

For 2006, an annual appropriation measure was not passed until February 2, 2006. Expenditures were made prior to the passage of the annual appropriation measure and no temporary appropriation measure had been adopted by the Township.

Township management believes this noncompliance resulted from a management oversight.

We recommend the Board of Trustees adopt an appropriation measure on or about the first day of each year prior to making any expenditures or incurring any purchase commitments.

**Officials' Response:**

Township officials will consider adopting annual appropriations at the Board's organizational meeting to be held around January 1 each year.

**FINDING NUMBER 2007-003**

**Material Weakness**

During 2007, the Township financed the purchase of a rotary boom mower through a loan from a local financial institution. Loan proceeds in the amount of \$25,890 were not recorded as a receipt and the subsequent payment to the contractor was not recorded as a capital outlay expenditure in the Gasoline Tax Fund.

As a result, receipts and disbursements were understated and it was necessary to increase both by \$25,890. Adjustments with which Township management agrees have been made to the financial statements to reflect this activity.

Township management believes this deficiency resulted from a management oversight.

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

**Officials' Response:**

The Township will record memorandum entries for any future transactions of this nature.

**MUSKINGUM TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

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

**FINDING NUMBER 2007-004**

**Material Weakness**

A sound accounting system should enable the entity to identify, assemble, analyze, classify, record and report its transactions.

<b>Account</b>	<b>Fund</b>							
	<b>General</b>	<b>Motor Vehicle License Tax</b>	<b>Gasoline Tax</b>	<b>Road and Bridge</b>	<b>Fire District</b>	<b>Permissive Motor Vehicle License Tax</b>	<b>Oakwood North Debt Service</b>	<b>Hickory Hills Debt Service</b>
<b>Cash Receipts:</b>								
Property & Other								
Local Taxes	(\$13,615)	\$1,827		(\$29,162)	(\$13,680)			
Intergovernmental	13,859	(1,827)		34,554	23,501			
Miscellaneous	244			(5,392)	(12,031)			
<b>Cash Disbursements:</b>								
Public Safety					(107)			
Public Works		(25,195)	(\$1,891)	(5,447)		(\$5,811)		
Capital Outlay			1,891	5,000	(40,043)		(\$8,480)	(\$8,535)
Principal Payments		23,799		253	38,064	4,298	6,469	6,466
Interest & Fiscal Charges		1,396		194	2,086	1,513	2,011	2,069
<b>Other Financing Receipts:</b>								
Other Financing Sources					2,210			

During both 2006 and 2007, numerous receipts were posted to improper receipt accounts.

As a result, 28 reclassification entries with which Township management agrees were made in the General, Special Revenue and Debt Service funds and are reflected in the accompanying financial statements in order to properly reflect the Township's cash receipts. The net effect of reclassification entries is reflected below for each account affected.

Township management believes the misclassifications were a result of the Fiscal Officer not understanding the proper accounts to be posted.

We recommend that Electric/Gas Deregulation Settlements, Excess IRP Compensation, Homestead and Rollback Settlements, and grants from other governments be recorded as Intergovernmental Receipts. We also recommend that debt payments be recorded as Debt Service Principal and Interest payments. If the Fiscal Officer is uncertain as to the proper account classification, she should refer to the UAN accounting manual and/or support staff.

**MUSKINGUM TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b></p>
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**FINDING NUMBER 2007-004 (Continued)**

**Material Weakness (Continued)**

**Officials' Response:**

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



**MUSKINGUM TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-001	Ohio Rev. Code § 5705.41(D), Clerk's certification was not appropriately obtained prior to incurring obligations.	No.	Not Corrected: Downgraded to a management letter noncompliance citation and recommendation for the current audit.
2005-002	Ohio Rev. Code § 5705.41(B), expenditures in excess of appropriations.	Yes.	N/A
2005-003	Ohio Rev. Code § 505.24, payment of Trustees' salaries and benefits from funds other than the General Fund.	No.	Not Corrected: Repeated for the current audit as finding number 2007-001.
2005-004	Ohio Rev. Code § 5705.40, appropriations posted to the UAN system were not properly approved.	Yes.	
2005-005	Budgeted receipts were not accurately posted to the accounting system.	No.	Not Corrected: Downgraded to a management letter noncompliance citation and recommendation for the current audit.





**Mary Taylor, CPA**  
Auditor of State

**MUSKINGUM TOWNSHIP**

**MUSKINGUM COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 13, 2009**