



Mary Taylor, CPA
Auditor of State

**BLUE ROCK TOWNSHIP
MUSKINGUM COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Blue Rock Township
Muskingum County
P.O. Box 143
Blue Rock, Ohio 43720

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Blue Rock Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in paragraphs 4, 5, and 6, 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 opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

During 2007, the Township improperly posted a gasoline tax cents per gallon receipt in the amount of \$2,768 to the General Fund that should have been posted to the Gasoline Tax Fund. Also, during 2007, the Township improperly paid salaries and insurance benefits for the Township Trustees from the Gasoline Tax and Road and Bridge Funds' in the amount of \$1,836 and \$5,302, respectively, that should have been paid from the General Fund in the amount of \$7,138. Due to the impact these adjustments would have on the General Fund, the Township has declined to make these adjustments this audit period.

During 2006, the Township improperly paid salaries and insurance benefits for the Township Trustees from the Gasoline Tax and Road and Bridge Funds' in the amount of \$14,396 and \$4,698, respectively, that should have been paid from the General Fund in the amount of \$19,094. Due to the impact these adjustments would have on the General Fund, the Township has declined to make these adjustments this audit period.

Had the posting errors noted in the preceding 2 paragraphs been properly posted to the financial statements and the accounting system, the General Fund cash fund balance would have been decreased by \$29,000, the Gasoline Tax Fund cash fund balance would have increased by \$19,000, and the Road and Bridge Fund cash fund balance would have increased by \$10,000.

In our opinion, because of the effects of the matters described in the preceding 3 paragraphs, the financial statements referred to above do not present fairly, in all material respects, the respective cash financial position of the General Fund, the Gasoline Tax Fund and the Road and Bridge Fund of Blue Rock Township, Muskingum County, Ohio, as of December 31, 2007 and 2006, and the respective changes in cash financial position and the respective budgetary comparison for the General, Gasoline Tax, and Road and Bridge Funds thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities and the aggregate remaining fund information of Blue Rock Township, Muskingum County, Ohio, as of December 31, 2007 and 2006, and the respective changes in cash financial position for the years then ended in conformity with the basis of accounting Note 2 describes.

For the years ended December 31, 2007 and 2006, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. The Township has not presented Management's Discussion and Analysis.



Mary Taylor, CPA
Auditor of State

June 10, 2008

Blue Rock Township
Muskingum County
Statement of Net Assets - Cash Basis
December 31, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash	<u>\$35,519</u>
<i>Total Assets</i>	<u><u>\$35,519</u></u>
 Net Assets	
Restricted for:	
Permanent Fund Purpose	
Nonexpendable	\$669
Other Purposes	29,185
Unrestricted	<u>5,665</u>
<i>Total Net Assets</i>	<u><u>\$35,519</u></u>

See accompanying notes to the basic financial statements

Blue Rock Township
Muskingum County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2007

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General Government	\$41,356			(\$41,356)
Public Safety	13,945		\$875	(13,070)
Public Works	118,742	\$544	103,250	(14,948)
Health	4,486		331	(4,155)
Capital Outlay	46,172			(46,172)
Debt Service:				
Principal Retirement	9,583			(9,583)
Interest and Fiscal Charges	3,086			(3,086)
<i>Total Governmental Activities</i>	<u>\$237,370</u>	<u>\$544</u>	<u>\$104,456</u>	(132,370)
General Receipts				
Property Taxes Levied for:				
General Purposes				51,325
Other Taxes				538
Grants and Entitlements not Restricted to Specific Programs				21,798
Other Debt Proceeds				41,172
Interest				231
Miscellaneous				2,442
				<u>117,506</u>
				Change in Net Assets (14,864)
				<i>Net Assets Beginning of Year</i> <u>50,383</u>
				<i>Net Assets End of Year</i> <u><u>\$35,519</u></u>

See accompanying notes to the basic financial statements

Blue Rock Township
Muskingum County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2007

	General	Gasoline Tax	Road and Bridge	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash	\$5,665	\$21,122	\$4,125	\$4,607	35,519
<i>Total Assets</i>	<u>\$5,665</u>	<u>\$21,122</u>	<u>\$4,125</u>	<u>\$4,607</u>	<u>\$35,519</u>
Fund Balances					
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	\$5,665				\$5,665
Special Revenue Funds		\$21,122	\$4,125	\$3,938	29,185
Permanent Fund				669	669
<i>Total Fund Balances</i>	<u>\$5,665</u>	<u>\$21,122</u>	<u>\$4,125</u>	<u>\$4,607</u>	<u>\$35,519</u>

See accompanying notes to the basic financial statements

Blue Rock Township
Muskingum County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2007

	General	Gasoline Tax	Road and Bridge	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$18,175		\$22,807	\$13,713	\$54,695
Intergovernmental	21,984	\$91,299	2,382	8,301	123,966
Interest	126	92	3	10	231
Other	135	1,807	187	313	2,442
<i>Total Receipts</i>	<u>40,420</u>	<u>93,198</u>	<u>25,379</u>	<u>22,337</u>	<u>181,334</u>
Disbursements					
Current:					
General Government	32,571	6,070	2,714		41,355
Public Safety	3,450			10,495	13,945
Public Works	1,262	81,787	30,964	4,730	118,743
Health				4,486	4,486
Capital Outlay	5,000	41,172			46,172
Debt Service:					
Principal Retirement		9,583			9,583
Interest and Fiscal Charges		3,086			3,086
<i>Total Disbursements</i>	<u>42,283</u>	<u>141,698</u>	<u>33,678</u>	<u>19,711</u>	<u>237,370</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,863)</u>	<u>(48,500)</u>	<u>(8,299)</u>	<u>2,626</u>	<u>(56,036)</u>
Other Financing Sources					
Other Debt Proceeds		41,172			41,172
<i>Total Other Financing Sources</i>	<u>0</u>	<u>41,172</u>	<u>0</u>	<u>0</u>	<u>41,172</u>
<i>Net Change in Fund Balances</i>	<u>(1,863)</u>	<u>(7,328)</u>	<u>(8,299)</u>	<u>2,626</u>	<u>(14,864)</u>
<i>Fund Balances Beginning of Year</i>	<u>7,528</u>	<u>28,450</u>	<u>12,424</u>	<u>1,981</u>	<u>50,383</u>
<i>Fund Balances End of Year</i>	<u>\$5,665</u>	<u>\$21,122</u>	<u>\$4,125</u>	<u>\$4,607</u>	<u>\$35,519</u>

See accompanying notes to the basic financial statements

Blue Rock Township
Muskingum County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$15,741	\$15,741	\$18,175	\$2,434
Intergovernmental	19,252	15,224	21,984	6,760
Interest	100	100	126	26
Other	3,000	3,000	135	(2,865)
<i>Total Receipts</i>	<u>38,093</u>	<u>34,065</u>	<u>40,420</u>	<u>6,355</u>
Disbursements				
Current:				
General Government	47,799	42,799	32,571	10,228
Public Safety			3,450	(3,450)
Public Works		5,000	1,262	3,738
Capital Outlay			5,000	(5,000)
<i>Total Disbursements</i>	<u>47,799</u>	<u>47,799</u>	<u>42,283</u>	<u>5,516</u>
<i>Net Change in Fund Balance</i>	(9,706)	(13,734)	(1,863)	11,871
<i>Fund Balance Beginning of Year</i>	<u>7,528</u>	<u>7,528</u>	<u>7,528</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>(\$2,178)</u>	<u>(\$6,206)</u>	<u>\$5,665</u>	<u>\$11,871</u>

See accompanying notes to the basic financial statements

Blue Rock Township
Muskingum County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Gasoline Tax Fund
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$86,191	\$71,191	\$91,299	\$20,108
Interest	100	100	92	(8)
Other	200	200	1,807	1,607
<i>Total Receipts</i>	<u>86,491</u>	<u>71,491</u>	<u>93,198</u>	<u>21,707</u>
Disbursements				
Current:				
General Government	8,200	9,400	6,070	3,330
Public Works	91,784	90,584	81,787	8,797
Capital Outlay	14,000	14,000	41,172	(27,172)
Debt Service:				
Principal Retirement			9,583	(9,583)
Interest and Fiscal Charges			3,086	(3,086)
<i>Total Disbursements</i>	<u>113,984</u>	<u>113,984</u>	<u>141,698</u>	<u>(27,714)</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(27,493)</u>	<u>(42,493)</u>	<u>(48,500)</u>	<u>(6,007)</u>
Other Financing Sources				
Other Debt Proceeds			41,172	41,172
<i>Total Other Financing Sources</i>	<u>0</u>	<u>0</u>	<u>41,172</u>	<u>41,172</u>
<i>Net Change in Fund Balance</i>	(27,493)	(42,493)	(7,328)	35,165
<i>Fund Balance Beginning of Year</i>	<u>28,450</u>	<u>28,450</u>	<u>28,450</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$957</u>	<u>(\$14,043)</u>	<u>\$21,122</u>	<u>\$35,165</u>

See accompanying notes to the basic financial statements

Blue Rock Township
Muskingum County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Road and Bridge Fund
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$24,218	\$21,218	\$22,807	\$1,589
Intergovernmental	276	276	2,382	2,106
Interest	100		3	3
Other	1,900		187	187
<i>Total Receipts</i>	<u>26,494</u>	<u>21,494</u>	<u>25,379</u>	<u>3,885</u>
Disbursements				
Current:				
General Government	4,820	4,820	2,714	2,106
Public Works	33,447	33,447	30,964	2,483
<i>Total Disbursements</i>	<u>38,267</u>	<u>38,267</u>	<u>33,678</u>	<u>4,589</u>
<i>Net Change in Fund Balance</i>	(11,773)	(16,773)	(8,299)	8,474
<i>Fund Balance Beginning of Year</i>	<u>12,424</u>	<u>12,424</u>	<u>12,424</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$651</u>	<u>(\$4,349)</u>	<u>\$4,125</u>	<u>\$8,474</u>

See accompanying notes to the basic financial statements

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Blue Rock Township
Muskingum County
Statement of Net Assets - Cash Basis
December 31, 2006

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash	<u>\$50,383</u>
<i>Total Assets</i>	<u><u>\$50,383</u></u>
 Net Assets	
Restricted for:	
Permanent Fund Purpose	
Nonexpendable	\$669
Other Purposes	42,186
Unrestricted	<u>7,528</u>
<i>Total Net Assets</i>	<u><u>\$50,383</u></u>

See accompanying notes to the basic financial statements

Blue Rock Township
Muskingum County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2006

	Cash Disbursements	Program Cash Receipts	Net (Disbursements) Receipts and Changes in Net Assets
		Operating Grants and Contributions	Governmental Activities
Governmental Activities			
General Government	\$37,460		(\$37,460)
Public Safety	9,543	\$194	(9,349)
Public Works	70,294	96,053	25,759
Health	4,162	424	(3,738)
Capital Outlay	82,094		(82,094)
Debt Service:			
Principal Retirement	10,700		(10,700)
Interest and Fiscal Charges	2,590		(2,590)
<i>Total Governmental Activities</i>	<u>\$216,843</u>	<u>\$96,671</u>	(120,172)
General Receipts			
Property Taxes Levied for:			
General Purposes			35,807
Other Taxes			493
Grants and Entitlements not Restricted to Specific Programs			21,495
Other Debt Proceeds			79,594
Miscellaneous			954
<i>Total General Receipts</i>			<u>138,343</u>
Change in Net Assets			18,171
<i>Net Assets Beginning of Year</i>			<u>32,212</u>
<i>Net Assets End of Year</i>			<u><u>\$50,383</u></u>

See accompanying notes to the basic financial statements

Blue Rock Township
Muskingum County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006

	General	Gasoline Tax	Road and Bridge	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash	\$7,528	\$28,450	\$12,424	\$1,981	\$50,383
<i>Total Assets</i>	<u>\$7,528</u>	<u>\$28,450</u>	<u>\$12,424</u>	<u>\$1,981</u>	<u>\$50,383</u>
Fund Balances					
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	\$7,528				\$7,528
Special Revenue Funds		\$28,450	\$12,424	\$1,312	42,186
Permanent Fund				669	669
<i>Total Fund Balances</i>	<u>\$7,528</u>	<u>\$28,450</u>	<u>\$12,424</u>	<u>\$1,981</u>	<u>\$50,383</u>

See accompanying notes to the basic financial statements

Blue Rock Township
Muskingum County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2006

	General	Gasoline Tax	Road and Bridge	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$13,169		\$19,306	\$3,701	\$36,176
Intergovernmental	21,620	\$86,201	2,217	8,252	118,290
Other	74	290		590	954
<i>Total Receipts</i>	<u>34,863</u>	<u>86,491</u>	<u>21,523</u>	<u>12,543</u>	<u>155,420</u>
Disbursements					
Current:					
General Government	28,573	6,154	2,653	80	37,460
Public Safety	4,300			5,243	9,543
Public Works	2,425	50,022	17,847		70,294
Health				4,162	4,162
Capital Outlay		82,094			82,094
Debt Service:					
Principal Retirement		10,700			10,700
Interest and Fiscal Charges		2,590			2,590
<i>Total Disbursements</i>	<u>35,298</u>	<u>151,560</u>	<u>20,500</u>	<u>9,485</u>	<u>216,843</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(435)</u>	<u>(65,069)</u>	<u>1,023</u>	<u>3,058</u>	<u>(61,423)</u>
Other Financing Sources (Uses)					
Other Debt Proceeds		79,594			79,594
Advances In	3,000			3,000	6,000
Advances Out	(3,000)			(3,000)	(6,000)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>79,594</u>	<u>0</u>	<u>0</u>	<u>79,594</u>
<i>Net Change in Fund Balances</i>	(435)	14,525	1,023	3,058	18,171
<i>Fund Balances Beginning of Year</i>	<u>7,963</u>	<u>13,925</u>	<u>11,401</u>	<u>(1,077)</u>	<u>32,212</u>
<i>Fund Balances End of Year</i>	<u>\$7,528</u>	<u>\$28,450</u>	<u>\$12,424</u>	<u>\$1,981</u>	<u>\$50,383</u>

See accompanying notes to the basic financial statements

Blue Rock Township
Muskingum County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$30,390	\$31,407	\$13,169	(\$18,238)
Intergovernmental		6,455	21,620	15,165
Other			74	74
<i>Total Receipts</i>	<u>30,390</u>	<u>37,862</u>	<u>34,863</u>	<u>(2,999)</u>
Disbursements				
Current:				
General Government	31,045	31,045	28,573	2,472
Public Safety			4,300	(4,300)
Public Works			2,425	(2,425)
<i>Total Disbursements</i>	<u>31,045</u>	<u>31,045</u>	<u>35,298</u>	<u>(4,253)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(655)</u>	<u>6,817</u>	<u>(435)</u>	<u>(7,252)</u>
Other Financing Sources (Uses)				
Advances In			3,000	3,000
Advances Out			(3,000)	(3,000)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(655)	6,817	(435)	(7,252)
<i>Fund Balance Beginning of Year</i>	<u>7,963</u>	<u>7,963</u>	<u>7,963</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$7,308</u>	<u>\$14,780</u>	<u>\$7,528</u>	<u>(\$7,252)</u>

See accompanying notes to the basic financial statements

Blue Rock Township
Muskingum County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Gasoline Tax Fund
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$65,000	\$86,491	\$86,201	(\$290)
Other			290	290
<i>Total Receipts</i>	<u>65,000</u>	<u>86,491</u>	<u>86,491</u>	<u>0</u>
Disbursements				
Current:				
General Government		1,000	6,154	(5,154)
Public Works	63,925	62,925	50,022	12,903
Capital Outlay	15,000	15,000	82,094	(67,094)
Debt Service:				
Principal Retirement			10,700	(10,700)
Interest and Fiscal Charges			2,590	(2,590)
<i>Total Disbursements</i>	<u>78,925</u>	<u>78,925</u>	<u>151,560</u>	<u>(72,635)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(13,925)</u>	<u>7,566</u>	<u>(65,069)</u>	<u>(72,635)</u>
Other Financing Sources				
Other Debt Proceeds			79,594	79,594
<i>Total Other Financing Sources</i>	<u>0</u>	<u>0</u>	<u>79,594</u>	<u>79,594</u>
<i>Net Change in Fund Balance</i>	(13,925)	7,566	14,525	6,959
<i>Fund Balance Beginning of Year</i>	<u>13,925</u>	<u>13,925</u>	<u>13,925</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$21,491</u>	<u>\$28,450</u>	<u>\$6,959</u>

See accompanying notes to the basic financial statements

Blue Rock Township
Muskingum County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Road and Bridge Fund
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$20,031	\$21,298	\$19,306	(\$1,992)
Intergovernmental		225	2,217	1,992
<i>Total Receipts</i>	<u>20,031</u>	<u>21,523</u>	<u>21,523</u>	<u>0</u>
Disbursements				
Current:				
General Government	500	500	2,653	(2,153)
Public Works	<u>30,932</u>	<u>30,932</u>	<u>17,847</u>	<u>13,085</u>
<i>Total Disbursements</i>	<u>31,432</u>	<u>31,432</u>	<u>20,500</u>	<u>10,932</u>
<i>Net Change in Fund Balance</i>	(11,401)	(9,909)	1,023	10,932
<i>Fund Balance Beginning of Year</i>	<u>11,401</u>	<u>11,401</u>	<u>11,401</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$1,492</u></u>	<u><u>\$12,424</u></u>	<u><u>\$10,932</u></u>

See accompanying notes to the basic financial statements

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Note 1 – Reporting Entity

The Township of Blue Rock, Muskingum County, Ohio (the Township), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Fiscal Officer.

The reporting entity is comprised of the primary government.

Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separated from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the Wayne Township - Duncan Falls Volunteer Fire Department for fire protection and Harrison Township Medical Services, Inc. for EMS services.

Public Entity Risk Pool

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. Note 9 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

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

Note 2 – Summary of Significant Accounting Policies (Continued)

The statement of net assets presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Township are governmental.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are the General, Gasoline Tax, and Road and Bridge Funds. The General Fund is used to account for all financial resources, except those required to be accounted for 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. The Gasoline Tax Fund is used for the maintenance and upkeep of the Township roads. The Road & Bridge Fund is also used for the maintenance and upkeep of the Township's roads and bridges. The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

Note 2 – Summary of Significant Accounting Policies (Continued)

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations resolution is the Township's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash

To improve cash management, cash received by the Township is pooled. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash".

During 2007, the Township had deposits in an interest bearing checking account.

Interest earnings were allocated to Township funds according to State statutes during 2007. Interest receipts credited to the General Fund during 2007 was \$126. The Township did not receive interest during 2006, as deposits were held in a non-interest bearing checking account.

F. Restricted Assets

Cash and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

G. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Note 2 – Summary of Significant Accounting Policies (Continued)

H. Capital Assets

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

I. Inter-fund Receivables/Payables

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

L. Inter-fund Transactions

Transfers between governmental activities on the government-wide financial statements are reported in the same manner as general receipts.

Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include local and state monies restricted to expenditures for specific purposes. The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods.

Note 3 – Change in Basis of Accounting

For 2005, the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. For 2006, the Township has implemented the cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with non-major funds aggregated and presented in a single column, rather than a column for each fund type. The transition from the regulatory basis of accounting to the cash basis of accounting resulted in no changes to fund balance as previously reported at December 31, 2005.

Note 4 – Compliance

Contrary to Ohio Rev. Code Section 5705.39, appropriations exceeded total estimated resources in the General, Gasoline Tax, and Road and Bridge Funds by \$6,206, \$14,043, and \$4,349, respectively, as of December 31, 2007. Appropriations exceeded total estimated resources in the Motor Vehicle License Tax Fund by \$11,083 as of December 31, 2006.

Contrary to Ohio Rev. Code Section 5705.41(B), budgetary expenditures exceeded appropriation authority at the legal level of control within several funds for the years ended December 31, 2007 and 2006 (See Finding Number 2007-004).

Contrary to Ohio Rev. Code Section 5705.41(D)(1), the Township did not encumber all commitments required by Ohio law.

Note 5 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General, Gasoline Tax, and Road & Bridge Funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

Note 6 – Deposits and Investments

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

Note 6 – Deposits and Investments (Continued)

4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At year end, the Township had no undeposited cash on hand.

Deposits

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

The Township had no investments during 2007 and 2006.

Note 7 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Property tax receipts received in 2007 for real and public utility property taxes represents collections of the 2006 taxes. Property tax payments received during 2007 for tangible personal property (other than public utility property) is for 2007 taxes.

2007 real property taxes are levied after October 1, 2007, on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2007 real property taxes are collected in and intended for finance 2008.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2007 public utility property taxes which became a lien on December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes.

2007 tangible property taxes are levied after October 1, 2006, on the value as of December 31, 2006. Collections are made in 2007. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008, and zero for 2009. Payments by multi-county taxpayers are due September 20.

Note 7 – Property Taxes (Continued)

Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 3, with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Township. The County Auditor periodically remits to the Township its portion of the taxes collected.

Note 8 – Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Township contracted with the Ohio Township Association Risk Management Authority for various types of insurance coverage including legal liability, automobile liability, wrongful acts, employee benefit liability, automobile physical damage, and property coverage. Details concerning the Township's membership in this risk pool are outlined in Note 9.

The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims. The premium for 2007 increased by \$308 over 2006 (\$1,374 - \$1,066).

The Township also provides medical benefits to its officials through a private carrier.

Note 9 – Risk Pool Membership

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.

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.

Blue Rock Township
Notes to the Basic Financial Statements
For the Years Ended December 31, 2007 and 2006

Note 9 – Risk Pool Membership (Continued)

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 government.

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:

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

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 \$4,000. 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.

Contributions to OTARMA

2005	\$	3,400
2006	\$	3,774
2007	\$	2,069

Note 9 – Risk Pool Membership (Continued)

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.

Note 10 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the year ended December 31, 2007, the members of all three plans were required to contribute 9.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2007 was 13.85 percent. For the year ended December 31, 2006, the members of all three plans were required to contribute 9 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2006 was 13.7 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were paid in full.

Note 11 – Post-Employment Benefits

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*.

Blue Rock Township
Notes to the Basic Financial Statements
For the Years Ended December 31, 2007 and 2006

Note 11 – Post-Employment Benefits (Continued)

A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2007 and 2006 local government employer contribution rate was 13.85 and 13.7 percent respectively of covered payroll; 4.5 percent of covered payroll was the portion that was used to fund health care for 2006, 5.0 percent for the period July 1, 2007 to June 30, 2007 and 6.0 percent for the period July 1, 2007 to December 31, 2007.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 5.00 percent annually for the next eight years and 4.00 percent annually after that.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 374,979. The number of active contributing participants for both plans used in the December 31, 2006, actuarial valuation was 362,130. Actual employer contributions for 2007 and 2006 were paid in full. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) were \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

Note 12 – Debt

The Township's long-term debt activity for the year ended December 31, 2007, was as follows:

	Interest Rate	Balance December 31, 2006	Additions	Reduction s	Balance December 31, 2007	Due Within One Year
<u>Governmental Activities</u>						
Renewable Lease-Purchase Agreement	4.650%	\$68,894	\$0	\$9,583	\$59,311	\$10,684
Promissory Note – Dump Truck	5.25%	0	41,172	0	41,172	7,542
Total		<u>\$68,894</u>	<u>\$41,172</u>	<u>\$9,583</u>	<u>\$100,483</u>	<u>\$18,226</u>

The renewable lease-purchase agreement and promissory note were issued to finance the purchase of two dump trucks, tractor, loader, and other miscellaneous equipment to be used for Township road maintenance. The debt is collateralized solely by the Township's taxing authority.

Blue Rock Township
Notes to the Basic Financial Statements
For the Years Ended December 31, 2007 and 2006

Note 12 – Debt (Continued)

The following is a summary of the Township’s future annual debt service requirements, including principal and interest:

Year ending December 31:	Renewable Lease- Purchase Agreement	Promissory Note - Dump Truck	Grand Total
2008	\$13,291	\$9,445	\$22,736
2009	13,291	9,445	22,736
2010	13,291	9,445	22,736
2011	13,291	9,445	22,736
2012	13,291	9,445	22,736
Totals	<u>\$66,455</u>	<u>\$47,225</u>	<u>\$113,680</u>

The Ohio Revised Code provides that net general obligation debt of the Township, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Township. The Revised Code further provides that total voted and unvoted net debt of the Township less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation.

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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*

Blue Rock Township
Muskingum County
P.O. Box 143
Blue Rock, Ohio 43720

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Blue Rock Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Township's basic financial statements and have issued our report thereon dated June 10, 2008, wherein we noted the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34. We also qualified our report on the 2007 and 2006 financial statements of the General, Gasoline Tax, and Road and Bridge Funds' due to the Township declining to make adjustments this audit period for improper postings. 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, 2007-002, 2007-006, 2007-007, and 2007-008.

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 and 2007-002 are also material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated June 10, 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 through 2007-007.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 10, 2008.

The Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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.

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

Mary Taylor, CPA
Auditor of State

June 10, 2008

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**BLUE ROCK TOWNSHIP
MUSKINGUM COUNTY**

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

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

FINDING NUMBER 2007-001

Finding for Adjustment and Material Weakness

Ohio Rev. Code Section 505.24(C) sets forth the method by which township trustees' compensation should be allocated. This Section is amplified by Ohio Attorney General Opinion 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 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. 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 Ohio Rev. Code Section 505.24(C) were noted in Finding Number 2005-004 of the Township Audit Report for the years ending December 31, 2005 and 2004.

For 2007 and 2006, the Board of Trustees did not consistently prepare documentation for how they spent their time. It is necessary for township trustees to document their time in order to substantiate that salaries were allocated to the proper funds. During 2007 and 2006, the Trustees did document their time for a portion of the audit period; however, payments were not always made in accordance with that documentation for the Trustee salaries and corresponding insurance benefits.

As a result of the foregoing facts, a finding for adjustment is hereby issued against the Township's General Fund in the amount of \$26,232 and in favor of the Gasoline Tax Fund and Road and Bridge Fund in the amounts of \$16,232 and \$10,000, respectively.

The Fiscal Officer has not posted this adjustment to the Township records and, therefore, this adjustment is not reflected in the accompanying financial statements.

Officials' Response:

See response to Finding Number 2007-002.

FINDING NUMBER 2007-002

Finding for Adjustment and Material Weakness

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

During 2007, the Fiscal Officer improperly posted a gasoline tax cent per gallon receipt in the amount of \$2,768 to the General Fund that should have been posted to the Gasoline Tax Fund.

As a result of the foregoing facts, a finding for adjustment is hereby issued against the Township's General Fund in the amount of \$2,768 and in favor of the Gasoline Tax Fund.

**BLUE ROCK 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 2007-002 (Continued)

Finding for Adjustment and Material Weakness - Ohio Rev. Code Section 5705.10 (Continued)

The Fiscal Officer has not posted this adjustment to the Township records and, therefore, this adjustment is not reflected in the accompanying financial statements.

Officials' Response:

On June 5, 2008, the Board of Trustees passed a motion to establish a payment plan over the next 3 years for the total amount owed from the General Fund in the amount of \$29,000 (net amounts from Finding Number 2007-001 and Finding Number 2007-002), paying \$10,000 in 2009, \$10,000 in 2010, and \$9,000 in 2011.

FINDING NUMBER 2007-003

Noncompliance Citation

Ohio Rev. Code Section 5705.39 states, in part, that the total appropriation from each fund should not exceed the total estimated resources. No appropriation measure is to become effective until the County Auditor files with the appropriating authority a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

As of December 31, 2007, appropriations exceeded total estimated resources in the General Fund by \$6,206, the Gasoline Tax Fund by \$14,043, and in the Road and Bridge Fund by \$4,349.

As of December 31, 2006, appropriations exceeded estimated resources in the Motor Vehicle License Tax Fund by \$11,083.

We recommend the Board of Trustees refrain from adopting appropriations in excess of estimated resources. The Fiscal Officer should obtain a certificate from the County Auditor stating that total appropriations from each fund do not exceed the total estimated resources.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2007-004

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

During 2007, the Township appropriated at the fund/function/object level. We noted the following instances where expenditures exceeded appropriations at the legal level of control at December 31, 2007:

**BLUE ROCK 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 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(B) (Continued)

Fund/Function/Object	2007 Appropriations	2007 Expenditures	Variance
<u>General Fund</u>			
General Government/Insurance Benefits	\$750	\$995	(\$245)
General Government/Tax Collection Fees	500	1,019	(519)
General Government/Other Prof. & Tech. Svs.	350	454	(104)
General Government/Contracted Services	900	962	(62)
General Government/Property Insurance Prem.	1,200	1,427	(227)
General Government/Other Expenses	0	928	(928)
Public Safety/Fire Protection	0	3,450	(3,450)
Capital Outlay	0	5,000	(5,000)
<u>Gasoline Tax Fund</u>			
Public Works/Repairs and Maintenance	6,000	11,675	(5,675)
Capital Outlay	14,000	41,172	(27,172)
Debt Service/Principal Retirement	0	9,583	(9,583)
Debt Service/Interest and Fiscal Charges	0	3,086	(3,086)
<u>Road & Bridge Fund</u>			
General Government/Insurance Benefits	200	1,022	(822)
Public Works/Tax Collection Fees	400	472	(72)
<u>Fire Fund</u>			
Public Safety/Tax Collection Fees	119	195	(76)

During 2006, the Township appropriated at the fund/function/object level. We noted the following instances where expenditures exceeded appropriations at the legal level of control at December 31, 2006:

**BLUE ROCK 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 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(B) (Continued)

Fund/Function/Object	2006 Appropriations	2006 Expenditures	Variance
<u>General Fund</u>			
General Government/Salaries-Trustees	\$1,790	\$5,667	(\$3,877)
General Government/OPERS	0	565	(565)
General Government/UAN Fees	0	1,149	(1,149)
General Government/Election Expense	100	767	(667)
General Government/Office Supplies	85	1,458	(1,373)
General Government/Other Expenses	0	180	(180)
Public Safety/Fire Protection	0	4,300	(4,300)
Public Works/Contract Services	0	2,425	(2,425)
<u>Gasoline Tax Fund</u>			
General Government/Medicare	0	277	(277)
General Government/Other Insurance	1,000	1,613	(613)
General Government/Workers Compensation	0	382	(382)
General Government/Other Employee Benefits	0	3,881	(3,881)
Public Works/Other-Salaries	1,000	9,252	(8,252)
Public Works/Property Insurance Premiums	2,200	2,719	(519)
Capital Outlay	15,000	82,094	(67,094)
Debt Service/Principal Retirement	0	10,700	(10,700)
Debt Service/Interest and Fiscal Charges	0	2,590	(2,590)
<u>Road & Bridge Fund</u>			
General Government/Workers Compensation	0	382	(382)
General Government/Employee Fringe Benefits	0	2,140	(2,140)
Public Works/Other-Salaries	0	3,009	(3,009)
Public Works/Tax Collection Fees	0	423	(423)
<u>Motor Vehicle License Tax Fund</u>			
General Government/Employee Fringe Benefits	0	80	(80)
<u>Cemetery Fund</u>			
Health/Contracted Services	3,784	3,981	(197)
Health/Other Expenses	0	100	(100)

The Township's failure to limit expenditures to the amounts appropriated could result in deficit spending.

**BLUE ROCK 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 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(B) (Continued)

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

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2007-005

Noncompliance Citation

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

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

Then and Now Certificate - If the fiscal officer can certify that both at the time that the contract or order was made "then" and at the time that the fiscal officer is completing the certification "now", that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has 30 days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000, may be paid by the fiscal officer without a resolution or ordinance of the Township upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

Blanket Certificate - Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**BLUE ROCK 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 2007-005 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)

Super Blanket Certificate - The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. No more than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Township did not properly certify the availability of funds prior to incurring obligations for 64% of expenditures tested in 2007 and 80% of expenditures tested in 2006 and there was no evidence of a "Then and Now" certificate being utilized. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

In addition, the Board of Trustees did not establish an amount that blanket purchase orders may not exceed. Blanket certificates should not be issued without a maximum amount established.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that funds are or will be available prior to obligations being incurred by the Township. When prior certification is not possible, "then and now" certificates should be used.

We recommend the Township certify purchases to which Ohio Rev. Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification prior to the Township incurring a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation. In addition, we recommend the Board of Trustees establish an amount which blanket certificates may not exceed.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2007-006

Noncompliance Citation and Significant Deficiency

Ohio Admin. Code Section 117-2-02(A) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

**BLUE ROCK 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 2007-006 (Continued)

**Noncompliance Citation and Significant Deficiency - Ohio Admin. Code Section 117-2-02(A)
(Continued)**

During 2007, the Board of Trustees issued a \$41,172 promissory note for the purpose of purchasing a truck and during 2006, entered into a lease-purchase agreement for \$79,594 for the purpose of purchasing a dump truck and equipment. The financial institution paid the vendors directly on-behalf of the Township. The Fiscal Officer did not post the debt proceeds and the capital outlay expenditure to its financial records.

As a result, receipts and disbursements were understated on the Township's financial records and financial statements for 2007 and 2006. This also resulted in violation of Ohio Rev. Code Section 5705.41(B) within the Gasoline Tax Fund as this activity was not budgeted by the Board of Trustees (See Finding No. 2007-004).

The above noted adjustments were agreed to by the Board of Trustees and are reflected in the accompanying financial statements.

We recommend the Fiscal Officer record all debt proceeds and the corresponding expenditures to the Township's financial records and, in turn, budget for such activity.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2007-007

Noncompliance Citation and Significant Deficiency

Ohio Admin. Code Section 117-2-02(C)(1) requires that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The Fiscal Officer did not accurately post appropriations to the Uniform Accounting Network (UAN) appropriation ledgers. Variances existed between the amount approved by the Board of Trustees and the amount posted to the accounting system as follows:

**BLUE ROCK 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 2007-007 (Continued)

**Noncompliance Citation and Significant Deficiency - Ohio Admin. Code Section 117-2-02(C)(1)
(Continued)**

December 31, 2007:

Fund	Approved Appropriations	Appropriations per the UAN system	Variance
General Fund:			
General Government	\$42,799	\$33,919	\$8,880
Public Works	5,000	4,800	200
Capital Outlay	0	5,000	(5,000)
Gasoline Tax Fund:			
General Government	9,400	7,294	2,106
Public Works	90,584	77,690	12,894
Road & Bridge Fund:			
General Government	4,820	2,716	2,104
Public Works	33,447	30,971	2,476
Cemetery Fund:			
Health	4,585	4,760	(175)

December 31, 2006:

Fund	Approved Appropriations	Appropriations per the UAN system	Variance
General Fund:			
General Government	\$31,045	\$29,931	\$1,114
Public Works	0	6,730	(6,730)
Motor Vehicle License Tax Fund:			
General Government	0	500	(500)
Public Safety	10,542	6,234	4,308
Public Works	7,300	9,800	(2,500)
Gasoline Tax Fund:			
General Government	1,000	7,000	(6,000)
Public Works	62,925	56,125	6,800
Capital Outlay	15,000	15,800	(800)
Road & Bridge Fund:			
General Government	500	2,940	(2,440)
Public Works	30,932	28,492	2,440
Cemetery Fund:			
Health	3,874	4,174	(300)
Human Services	300	0	300

Also, the Fiscal Officer did not properly post budgeted receipts to the accounting system. Variances existed between the certificate of estimated resources and the amounts posted to the accounting system throughout the year. The following details these variances:

**BLUE ROCK 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 2007-007 (Continued)

**Noncompliance Citation and Significant Deficiency - Ohio Admin. Code Section 117-2-02(C)(1)
(Continued)**

December 31, 2007:

Fund	Budgeted Receipts per Amended Certificate	Budgeted Receipts per Accounting System	Variance
General Fund	\$34,065	\$20,341	(\$13,724)
Motor Vehicle License Tax Fund	8,225	8,325	100
Gasoline Tax Fund	71,491	86,591	15,100
Road and Bridge Fund	21,494	26,594	5,100
Cemetery Fund	4,459	4,559	100
Fire Fund	10,245	10,295	50

December 31, 2006:

Fund	Budgeted Receipts per Amended Certificate	Budgeted Receipts per Accounting System	Variance
General Fund	\$37,862	\$31,129	(\$6,733)
Motor Vehicle License Tax Fund	11,225	15,000	3,775
Gasoline Tax Fund	86,491	65,000	(21,491)
Road and Bridge Fund	21,523	20,031	(1,492)
Cemetery Fund	4,124	3,835	(289)
Fire Fund	194	0	(194)

Because the information entered into the accounting system was inaccurate, Township management was unable to effectively monitor budget verses actual activity. Adjustments were made to the budgetary statements for the General, Gasoline Tax, and Road and Bridge Funds' for 2007 and 2006 in order to accurately present appropriations approved by the Board of Trustees and only include budgeted receipts certified by the County Auditor.

We recommend the Board of Trustees approve all appropriation amendments, record approval in the Board minutes, and file all appropriation amendments with the County Auditor in order to receive confirmation from the County Auditor that appropriations do not exceed estimated resources. The Fiscal Officer should post these amendments only after the required approvals have been obtained. We also recommend the Fiscal Officer record only estimated receipts from the Certificate of Estimated Resources and any amendments thereto.

Officials' Response:

We did not receive a response from Officials to this finding.

**BLUE ROCK 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 2007-008

Significant Deficiency

Ohio Admin. Code Section 117-2-02(A) states all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

According to Ohio Admin. Code Section 117-2-02(D), accounting records that can help achieve these objectives include:

1. Cash journal, which typically includes the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payor, purpose, receipt number, and other information required for the transactions to be recorded on this ledger.
3. Appropriation ledger, which may assemble and classify disbursements into separate accounts, for at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, and any other information required may be entered in the appropriate columns.

The Ohio Township Handbook (revised December 2007) provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records will provide the Township with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

During 2007 and 2006, the Township's receipts/expenditures were not always posted into accurate receipt/expenditure classifications, based upon the source of the receipt/purpose of disbursement. For example in 2007 and 2006, a grant received from the Muskingum County Auditor in the amount of \$2,634 and \$2,500, respectively, was posted in the General Fund as "Other Revenue" instead of "Intergovernmental Revenue". Also, in 2007 and 2006, payments made from the General Fund for fire protection in the amount of \$3,450 and \$4,300, respectively, were posted under the expenditure classification of "Public Works" instead of "Public Safety". Also, in 2007 and 2006, payments made on the Township's debt from the Gasoline Tax Fund in the amount of \$12,669 and \$13,290, respectively, were posted under the expenditure classification "Capital Outlay" instead of "Debt Service". This caused material adjustments to the accompanying financial statements.

We recommend the Township utilize available authoritative resources to appropriately classify receipt/expenditure transactions.

Officials' Response:

We did not receive a response from Officials to this finding.

**BLUE ROCK 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; <i>Explain</i>
2005-001	Ohio Rev. Code Section 5705.41(D)(1): not certifying availability of funds prior to incurring an obligation.	No	Not Corrected; Reissued as Finding No. 2007-005.
2005-002	Ohio Rev. Code Section 5705.41(B): expenditures exceeded appropriations in several funds at the legal level of control.	No	Not Corrected; Reissued as Finding No. 2007-004.
2005-003	Ohio Rev. Code Section 5705.36(A)(2): appropriations exceeded the beginning balance plus actual receipts in several funds.	Yes	N/A.
2005-004	Ohio Rev. Code Section 505.24(C): no time and effort documentation for the allocation of a portion of trustee salaries to funds other than the general fund.	No	Not Corrected; Reissued as Finding No. 2007-001.
2005-005	Ohio Rev. Code Section 5705.10(H): negative fund balance at year-end in the Motor Vehicle License Tax Fund.	Yes	N/A.
2005-006	Reportable Condition: No documentation that Trustees were reviewing financial information to effectively monitor financial activity of the Township.	Yes	N/A.



Mary Taylor, CPA
Auditor of State

BLUE ROCK 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
JULY 3, 2008**