



**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000 - 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Muskingum Township
Muskingum County
7995 Beech Run Road
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, 2000 and 1999. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Muskingum Township, Muskingum County, as of December 31, 2000 and 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2002 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Jim Petro
Auditor of State

January 31, 2002

**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, 2000**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Cash Receipts:				
Local Taxes	\$43,938	\$103,953	\$8,483	
Intergovernmental	343,159	82,713		
Earnings on Investments	9,924	170		899
Other Revenue	1,097	101		55,101
	398,118	186,937	8,483	56,000
Total Cash Receipts	398,118	186,937	8,483	56,000
Cash Disbursements:				
Current:				
General Government	182,116			
Public Safety		18,274		
Public Works		165,407		
Debt Service:				
Redemption of Principal			4,500	
Interest and Fiscal Charges			487	
Capital Outlay	41,039	27,247		
	223,155	210,928	4,987	0
Total Cash Disbursements	223,155	210,928	4,987	0
Total Cash Receipts Over/(Under) Cash Disbursements	174,963	(23,991)	3,496	56,000
Other Financing Receipts/(Disbursements):				
Proceeds from Sale of Public Debt:				
Other Proceeds from Sale of Public Debt (Lease)				132,833
Sale of Fixed Assets		200		
Transfers-In	15,511	23,000		
Transfers-Out	(23,000)		(15,511)	
	(7,489)	23,200	(15,511)	132,833
Total Other Financing Receipts/(Disbursements)	(7,489)	23,200	(15,511)	132,833
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	167,474	(791)	(12,015)	188,833
Fund Cash Balances, January 1	3,460	83,737	19,505	0
Fund Cash Balances, December 31	\$170,934	\$82,946	\$7,490	\$188,833
Reserve for Encumbrances, December 31	\$166	\$5,223	\$7,761	\$188,833

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, 1999**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$43,385	\$106,462	\$8,142	\$157,989
Intergovernmental	63,882	84,506		148,388
Special Assessments			4,249	4,249
Earnings on Investments	453	922		1,375
Other Revenue	21			21
	<u>107,741</u>	<u>191,890</u>	<u>12,391</u>	<u>312,022</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	122,676			122,676
Public Safety		19,240		19,240
Public Works		189,285		189,285
Debt Service:				
Redemption of Principal			10,800	10,800
Interest and Fiscal Charges			1,477	1,477
Capital Outlay	10,000	400		10,400
	<u>132,676</u>	<u>208,925</u>	<u>12,277</u>	<u>353,878</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(24,935)</u>	<u>(17,035)</u>	<u>114</u>	<u>(41,856)</u>
Other Financing Receipts/(Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes		9,000		9,000
	<u>0</u>	<u>9,000</u>	<u>0</u>	<u>9,000</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(24,935)	(8,035)	114	(32,856)
Fund Cash Balances, January 1 (Restated)	<u>28,395</u>	<u>91,772</u>	<u>19,391</u>	<u>139,558</u>
Fund Cash Balances, December 31	<u>\$3,460</u>	<u>\$83,737</u>	<u>\$19,505</u>	<u>\$106,702</u>
Reserve for Encumbrances, December 31	<u>\$691</u>	<u>\$767</u>	<u>\$0</u>	<u>\$1,458</u>

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

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Muskingum Township, Muskingum County (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, fire protection, and emergency management service. Fire protection services within the Township are provided by the Muskingum Township Volunteer Fire Department. Emergency management services within the Township are provided by Community Ambulance Services.

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

B. Basis of Accounting

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

C. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

Gasoline Tax Fund - This fund receives gasoline tax money for constructing, maintaining and repairing Township roads.

Motor Vehicle License Tax Fund - This fund receives motor vehicle money for maintaining and repairing Township roads.

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Fire Fund- This fund receives property tax money to pay for the Township fire protection and emergency management services.

3. Debt Service Fund

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

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

4. Capital Projects Fund

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

Fire Truck Fund- The Township received money from the 200 Club to purchase a new fire truck.

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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered 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 2000 and 1999 budgetary activity appears in Note 3.

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Property, Plant and Equipment

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

F. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Township.

2. EQUITY IN POOLED CASH

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

	2000	1999
Deposits	\$450,203	\$106,702

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$392,386	\$413,629	\$21,243
Special Revenue	256,236	210,137	(46,099)
Debt Service	8,483	8,483	0
Capital Projects	132,833	188,833	56,000
Total	\$789,938	\$821,082	\$31,144

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$84,890	\$246,321	(\$161,431)
Special Revenue	260,376	216,151	44,225
Debt Service	27,989	28,259	(270)
Capital Projects	0	188,833	(188,833)
Total	\$373,255	\$679,564	(\$306,309)

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$79,298	\$107,741	\$28,443
Special Revenue	185,328	200,890	15,562
Debt Service	12,212	12,391	179
Total	\$276,838	\$321,022	\$44,184

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$102,506	\$133,367	(\$30,861)
Special Revenue	281,280	209,692	71,588
Debt Service	31,604	12,277	19,327
Total	\$415,390	\$355,336	\$60,054

4. PROPERTY TAX

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

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

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

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

5. DEBT

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
1996 - General Obligation Notes	\$13,800	6.00%
1999 - General Obligation Notes	4,500	5.75%
2000 - Equipment Lease Purchase Agreement	132,833	5.60%
Total	\$151,133	

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

DEBT (Continued)

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

The 1999 general obligation notes were issued for the purpose of acquiring a parcel of real estate. The notes are collateralized solely by the Township's taxing authority. The notes are being repaid in annual installments of \$4,500 plus interest.

The 1996 general obligation notes were issued to finance the purchase of a dump truck to be used for Township road maintenance. The notes are collateralized solely by the Township's taxing authority. The notes are being repaid in annual installments of \$6,900 plus interest. The note due December 15, 2000, was not paid until January 30, 2001.

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

Year ending December 31:	General Obligation Notes	Equipment Lease Purchase Agreement
2001	\$19,801	\$17,707
2002		17,707
2003		17,707
2004		17,707
2005-2010		106,242
Total	<u>\$19,801</u>	<u>\$177,070</u>

6. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% for the periods January 1, 1999 through December 31, 1999 and January 1, 2000 through June 30, 2000. For the period July 1, 2000 through December 31, 2000, PERS temporarily reduced the employer's contribution rate to 8.13% of participants gross salaries. The Township has paid all contributions required through December 31, 2000.

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

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

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

8. PRIOR PERIOD ADJUSTMENT

During 1998, the Township received monies from the Federal Emergency Management Agency in the amount of \$10,581 and from Muskingum County in the amount of \$1,309 which were not posted to the Township's records until 1999. A number of other errors were noted which also had an effect on the December 31, 1998 fund balances. The net effect of these adjustments is reflected below and on the financial statements.

<u>Fund</u>	<u>Fund Balance December 31, 1998</u>	<u>Prior Period Adjustment</u>	<u>Restated Fund Balance January 1, 1999</u>
General	22,999	5,396	28,395
Special Revenue	76,374	15,398	91,772
Debt Service	19,391	0	19,391
Total	<u>118,764</u>	<u>20,794</u>	<u>139,558</u>



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Muskingum Township
Muskingum County
7995 Beech Run Road
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, 2000 and 1999, and have issued our report thereon dated January 31, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2000-41060-001 through 2000-41060-008. In addition, we noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated January 31, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2000-41060-005 and 2000-41060-008 through 2000-41060-014.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2000-41060-009 through 2000-41060-011 and 2000-41060-014 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the Township in a separate letter dated January 31, 2002.

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

Jim Petro
Auditor of State

January 31, 2002

MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999

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

Finding Number	2000-41060-001
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Finding for Adjustment

Ohio Const. Art. XII, Section 5a, Ohio Rev. Code § 135.21, § 135.351 and § 5705.10 and 1982 Op. Atty. Gen. No. 82-031, require that interest earned on money derived from a motor vehicle license or fuel tax follow the principal.

All of the Township's interest earnings were posted to the General Fund. In accordance with the foregoing facts, a finding for adjustment is hereby issued in the following amounts:

<u>Fund</u>	<u>Against</u>	<u>In Favor Of</u>
General	\$1,092	\$ 0
Motor Vehicle License	0	465
Gasoline Tax	0	627

As of the date of this report, Township management was in agreement with the aforementioned adjustment and this adjustment has been posted to the Township's records.

Finding Number	2000-41060-002
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Finding for Adjustment

Ohio Rev. Code § 4503.02 does not authorize the use of Motor Vehicle License Tax money for the purchase or construction of a building to house road equipment.

On October 28, 1999, the Township purchased property for \$10,000 and paid for said property out of the Motor Vehicle License Tax Fund (MVL Fund). On January 31, 2000, the Township paid for the construction of a salt bin on that property. Of the amount paid, \$4,000 was charged to the MVL Fund. The building is being used to house road equipment as well as store road materials.

In accordance with the foregoing facts, a finding for adjustment is hereby issued against the General Fund, in favor of the Motor Vehicle License Tax Fund, in the amount of \$14,000.

As of the date of this report, Township management was in agreement with the aforementioned adjustment and this adjustment has been posted to the Township's records.

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999
(Continued)**

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

Finding Number	2000-41060-003
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Finding for Adjustment

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

During 1999, the \$10,000 personal property tax exemption receipt was posted entirely to the Township's General Fund instead of being properly divided between the General Fund, Road and Bridge Fund, and Fire Fund. In accordance with the foregoing facts, a finding for adjustment in the amount of \$528 is hereby issued against the General Fund, in favor of the Road and Bridge Fund and Fire District Fund, in the amounts of \$366 and \$162, respectively.

As of the date of this report, the Clerk was in agreement with the aforementioned adjustment and this adjustment was posted to the Township's records and is reflected in the accompanying financial statements.

Finding Number	2000-41060-004
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Noncompliance Citation

Ohio Revised Code § 5705.41(B) requires no subdivision or taxing authority to expend money unless it has been appropriated.

The following funds had expenditures which exceeded approved appropriations during 2000:

Fund	Approved Appropriations	Expenditures	Variance
General	\$84,788	\$246,321	(\$161,431)
General Note Retirement	12,478	12,748	(270)
Capital Projects Fire Truck	0	188,833	(188,833)

The following funds had expenditures which exceeded approved appropriations during 1999:

Fund	Approved Appropriations	Expenditures	Variance
General	\$102,506	\$133,367	(\$30,861)

We recommend the Board of Trustees and Clerk compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, then the Board should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations. The Clerk and Trustees should not make any expenditures until appropriations are available. Had the Township obtained the Clerk's prior certification of funds prior to incurring obligations as noted in finding number 2000-41060-005 below, noncompliance with Ohio Revised Code Section 5705.41(B) may have been prevented.

MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999
(Continued)

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

Finding Number	2000-41060-005
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Noncompliance and Reportable Condition

Ohio Rev. Code § 5705.41(D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon. This section also provides two “exceptions” to the above requirements:

- A. Then and Now Certificate - This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time the certification is being completed, 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 Board of Trustees may authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the Township.
- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Board of Trustees.

The Township included certification language as part of its purchase order. However, the Clerk’s certification was not obtained for 39% of the expenditures tested. Noncompliance with Ohio Rev. Code Section 5705.41(D) may have contributed to noncompliance with Ohio Rev. Code Section 5705.41(B) as noted in finding number 2000-41060-004 above.

We recommend Township personnel obtain proper certification from the Clerk prior to incurring any obligation on behalf of the Township.

Finding Number	2000-41060-006
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Noncompliance Citation and Reportable Condition

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

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

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999
(Continued)**

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

Finding Number	2000-41060-006 (Continued)
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Noncompliance Citation and Reportable Condition - Ohio Rev. Code § 5705.40 (Continued)
2000

Fund	Appropriations Posted to the UAN system	Approved Appropriations	Variance
General	\$272,190	\$84,890	\$187,300
MVL	45,594	46,001	407
Fire District	70,380	70,740	360
Capital Projects Fire Truck	188,833	0	188,833

1999

Fund	Appropriations Posted to the UAN system	Approved Appropriations	Variance
General	\$120,242	\$102,506	\$17,736
MVL	67,277	58,277	9,000
Gasoline Tax	53,852	65,614	11,762
Fire District	56,826	63,826	7,000

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

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

Finding Number	2000-41060-007
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Noncompliance Citation and Reportable Condition

Ohio Rev. Code § 5705.41(C) and Ohio Rev. Code § 507.11(B) provide that no subdivision is to expend money except by a proper warrant drawn against an appropriate fund and that no money belonging to a Township is to be paid out except upon an order personally by at least two of the Township Trustees and countersigned by the Township Clerk.

In July and December 2000, the Clerk permitted Ameritech Telephone Company to directly debit the Township's checking account in the amounts of \$1,000 and \$800, respectively, without Township warrants being issued. As a result, the signatures of at least two Township Trustees and the Clerk could not be obtained. These expenses were not posted to the accounting records.

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999
(Continued)**

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

Finding Number	2000-41060-007 (Continued)
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**Noncompliance Citation and Reportable Condition - Ohio Rev. Code § 5705.41(c) and §507.11(B)
(Continued)**

There were several instances where expenditures totaling \$3,098 were made via Township warrants without the Clerk's signature and one instance where a warrant for \$50,000 was issued with only the Clerk's signature. Lack of proper signatures on the warrants could result in unauthorized and/or unapproved expenditures of public funds.

We recommend the Township make all disbursements via Township warrants signed by at least two Trustees and the Clerk.

Finding Number	2000-41060-008
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Noncompliance Citation and Reportable Condition

Ohio Rev. Code § 149.351 states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission.

Numerous documents were requested for audit in which the Township was unable to locate, including, but not limited to, supporting documentation for the payment of certain bills, four employee time cards, Federal and State Form 941 remittance forms, and cellular phone contracts. As a result, a number of Township records were not available for audit and for future reference by interested parties.

We recommend the Clerk maintain all Township records in accordance with law. Records should be disposed of in accordance with a records retention schedule only after the schedule has been approved. A comprehensive filing system would assist the Clerk in the maintenance of Township records and help assure the records are presented when requested for audit or other purposes.

FINDING NUMBER	2000-41060-009
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Material Weakness - Vouchered Disbursements

During our review of the Township's disbursement system, we noted the following conditions:

1. For approximately 7% of the disbursements made during 1999 and 2000, invoices were neither attached to the voucher packages nor otherwise on file to support the disbursement made.
2. For approximately 4% of the disbursements made, the check amounts did not correspond to the invoice amounts.
3. Manual checks were written and cashed which were not properly entered in the UAN system.
4. Invoices were not marked to indicate the goods or services were received as ordered.
5. Invoices were not marked or filed in a manner to indicate the invoices were paid when checks were issued.
6. There were invoices paid late including a dump truck note payment due December 15, 2000 and paid January 30, 2001 and a land note payment due on April 15, 2000 and paid May 1, 2000.

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER	2000-41060-009 (Continued)
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Material Weakness - Vouchered Disbursements (Continued)

These conditions did not allow for proper documentation of all disbursements and resulted in payments being made in error to several vendors as well as late fees of \$238 being charged to the Township. These conditions could also result in payments being made for goods not received and/or for improper purposes, without being detected by management in a timely period.

We recommend the following:

1. Checks should not be approved unless invoices which support the amount, vendor, and date goods or services were provided are attached.
2. All checks should be signed by the Clerk and at least two Trustees.
3. When goods are received by the Clerk, Trustees, or employees, the invoice or other document should be initialed to indicate goods were received as ordered.
4. Invoices should be canceled with some indication of "paid" when payment is made.
5. Checks should be issued in numerical order and payments should be made in a timely manner.
6. Manual checks should not be issued. In those rare instances where a manual check may need to be issued, it should be promptly posted to the accounting system and include the required signatures.
7. Any "voided" transactions or checks should be promptly voided in the UAN system and maintained on file.
8. Payments for goods and services should be remitted timely based on the due date. This would eliminate late fees and assure good credit with local vendors.

Finding Number	2000-41060-010
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Material Weakness - Payroll System and Documentation

During our review of the Township's payroll system, we noted the following conditions:

1. Personnel files were not established for each employee.
2. There were four instances where time cards were not attached to a payroll voucher.
3. Time cards were not signed indicating approval by supervisory personnel.
4. Time clock usage was abandoned and employees manually recorded hours worked on time cards.
5. Hours worked per the time cards did not always agree to hours/amounts paid on a per pay basis with some overages and some shortages noted throughout each year.
6. Vacation and sick leave records were not maintained.
7. There was no personnel policy addressing leave earnings, usage, and accruals.
8. Withholdings and employer shares of PERS and Medicaid were not remitted to the applicable agencies by the required deadlines.
9. Copies of quarterly or monthly returns (941s) completed for remittance of withholdings were not always attached to the pay voucher or maintained on file by the Township.

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999
(Continued)**

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

Finding Number	2000-41060-0010 (Continued)
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Material Weakness - Payroll System and Documentation (Continued)

These conditions could result in employees being compensated incorrectly, incorrect compensated leave being taken by an employee and/or incorrect payment of accumulated leave to an employee upon termination of employment, late penalties, interest and fees being incurred by the Township, and/or errors in withholdings remitted remaining undetected. The lack of vacation and sick leave records and a lack of a written policy addressing the Township's procedures did not allow us to determine if vacation and sick leave benefits were in accordance with the Board of Trustees intentions.

We recommend the following:

1. Personnel files should be established and maintained for each employee and should contain pertinent information including, but not limited to, tax withholding forms, retirement forms, voluntary deduction forms, approved pay rate information, approved employee contracts, policy acknowledgment forms, and evaluations.
2. Supporting time cards should be attached to all payroll vouchers.
3. Payments to employees should be supported by employee time sheets and should be reviewed and approved by supervisory personnel via signature.
4. Time clocks should be used and any adjustments to hours worked from hours stamped by the time clock onto time cards should be initialed for approval by supervisory personnel.
5. Payroll ledgers should be properly maintained with actual hours worked and leave time being entered per the approved time cards.
6. Vacation and sick leave records should be maintained for each employee. These records should document the leave balances at the end of each pay period, the amount of leave earned during the pay period, and the amount of leave used during the period. A leave use authorization form should be completed each time an employee uses leave. Approved leave forms should be maintained for future reference. Since existing leave balances may be in question, the Board should determine a method to calculate the existing balances and approve all beginning balances that have been posted to the leave records.
7. A formal written payroll policy should be developed addressing the Township policies on leave earnings, usage, and the carrying forward of any unused balances.
8. Taxes, retirement contributions, and other withholdings should be remitted to the applicable agency promptly at the end of each month or quarter depending on the requirements of the individual agency.
9. The Township should attach copies of the remittance forms (ie: 941's) to the voucher packages to support those payments.

Finding Number	2000-41060-011
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Material Weakness - Cash Reconciliations

The Township Clerk did not prepare detailed reconciliations of the book balances to the bank balances. The Clerk utilized an item referred to as "adjusting factors" to reconcile, but no supporting documentation was presented to determine what the adjusting factors were comprised of. There were five factors which attributed to the book balances not reconciling to the bank balances:

MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999
(Continued)

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

Finding Number	2000-41060-011 (Continued)
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Material Weakness - Cash Reconciliations (Continued)

1. Money was deposited in the bank and not recorded in the accounting system or was deposited in the bank anywhere from a few days to eight months after receipt.
2. Deposits were posted to the accounting system in duplicate.
3. Manual checks were issued and not recorded in the accounting system.
4. Direct debits were made from the checking account and not recorded in the accounting system.
5. Outstanding checks lists were not properly updated. There were several checks on the outstanding check list which had either cleared the bank, been voided, or prepared but never issued. Also, there were several instances where checks that should have been included on the outstanding checklist were not included.

As a result of the insufficient reconciliations, we performed extensive detailed reconciliations comparing cash activity recorded on the bank statements to the activity recorded on the Township's records to arrive at more accurate activity and balances. Numerous adjustments and reclassifications of which Township management agree have been posted to the Township's books and are reflected in the financial statements.

Without timely, accurate reconciliations, numerous errors occurred and went undetected and/or uncorrected. Without accurate financial activity and balances, management could make improper decisions concerning the Township's affairs.

We recommend the Township Clerk perform accurate reconciliations in a timely manner. If the Clerk is uncertain as to the proper procedures to follow when performing this reconciliation, then he should obtain assistance from the Auditor of State or any other consultant the Township chooses. In any event, the Township should assure that adequate documentation is prepared and maintained to document the reconciliation. Adequate documentation would include a detail of outstanding checks, deposits in transit, and interest and bank fees. We recommend the Clerk present to the Trustees the detailed bank reconciliations for their review and approval each month. The timely deposit of Township funds would also help simplify the reconciliation process and assure receipts are recorded in the year in which they were received.

Finding Number	2000-41060-012
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Reportable Condition - County Auditor Receipts

The Township did not properly post the receipts from the County Auditor. The following problems were noted:

1. There were numerous receipts from the County Auditor that were combined together and posted to the UAN system in total instead of as individual receipts.
2. The receipts generated by the UAN system were not filed with the supporting documentation.
3. There were several instances of duplicate postings of County Auditor receipts.
4. There were several instances where County Auditor receipts were not posted at all.

This resulted in significant adjustments and reclassifications to the Township financial statements.

We recommend the Township post each receipt to the accounting system individually and in a timely manner. The check stubs or other supporting documentation should be stapled to the UAN generated receipts and kept on file. A timely reconciliation of book balances to bank balances as mentioned in finding number 2000-41060-011 would help detect posting errors so that they could be corrected in a timely manner.

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999
(Continued)**

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

Finding Number	2000-41060-013
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Reportable Condition - Cellular Phones

The Township contracted for cellular phone services. However, detailed invoices were not always maintained on file to support the payments for these services and phone contracts could not be located for audit. During 1999 and 2000, the Township paid \$11,322 for both regular telephone and cellular phone services but did not have invoices supporting \$6,359 or 56% of the payments. As a result, we could not determine that payments made to the contractor were for the proper amounts.

We recommend the Township Clerk and Trustees obtain the phone contracts and review the payments made during 1999 and 2000 to determine that amounts paid were in accordance with contract provisions. The results of the review should be recorded in the Board's minutes. We also recommend the Township establish a formal written policy addressing the use of cellular phones. The policy should address who is authorized to have a cellular phone, the rate and frequency which the Township will be reimbursed for personal calls, and the manner in which cellular phone usage will be monitored to assure authorized usage. The Township's policy should indicate that cell phones should be used for personal business on rare occasions only. The Clerk and Trustees should review cellular phone bills for 1999 and 2000, and reimburse the Township for personal phone calls made. Findings for recovery may be issued against employees and officials who utilize cellular phones for personal business without reimbursing the Township.

Finding Number	2000-41060-014
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Material Weakness - Budgeted Receipts

During 2000 and 1999, the Township Clerk did not properly post the budgeted receipts to the accounting system. Variances existed between the amounts on the certificates of estimated resources and the amounts posted to the accounting system as follows:

2000

Fund	Budgeted Receipts per the UAN system	Budgeted Receipts per the Final Certificate of Estimated Resources	Variance
General	\$83,845	\$392,386	\$308,541
Road and Bridge	65,245	75,820	10,575
Fire District	29,986	86,261	56,275
Debt Service Note Retirement	8,556	8,483	73
Capital Projects Fire Truck	0	132,833	132,833

**MUSKINGUM TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999
(Continued)**

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

Finding Number	2000-41060-014(Continued)
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Material Weakness - Budgeted Receipts (Continued)

1999			
Fund	Budgeted Receipts per the UAN system	Budgeted Receipts per the Final Certificate of Estimated Resources	Variance
General	\$82,801	\$79,298	\$3,503
MVL	40,325	37,698	2,627
Road and Bridge	63,345	73,056	9,711
Fire District	29,112	23,486	5,626
Special Assessments Bond	8,498	4,070	4,428
Debt Service Note Retirement	0	8,142	8,142

Because the information entered into the accounting system was inaccurate, the Township management was unable to effectively monitor budget verses actual activity during the years 2000 and 1999. It was necessary to make audit adjustments to the 1999 and 2000 budgetary activity as reported in the notes to the financial statements in order to present the certified amount of estimated receipts.

We recommend the Clerk record estimated receipts directly from the certificate of estimated resources and any amendments thereto. This would ensure useful comparisons of estimated to actual receipts to be made throughout the year.



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MUSKINGUM TOWNSHIP

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 19, 2002**