



Dave Yost • Auditor of State

FALLS TOWNSHIP
MUSKINGUM COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Falls Township
Muskingum County
P.O. Box 511
Zanesville, OH 43701

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Falls Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Falls Township, Muskingum County, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2014, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

August 8, 2014

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$89,369	\$584,107	\$0	\$673,476
Licenses, Permits and Fees	220	6,747	0	6,967
Intergovernmental	323,149	202,385	0	525,534
Earnings on Investments	7,773	0	0	7,773
Miscellaneous	12,838	700	0	13,538
<i>Total Cash Receipts</i>	<u>433,349</u>	<u>793,939</u>	<u>0</u>	<u>1,227,288</u>
Cash Disbursements				
Current:				
General Government	372,679	5,350	0	378,029
Public Safety	0	244,400	0	244,400
Public Works	19,101	599,066	0	618,167
Health	9,900	900	0	10,800
<i>Total Cash Disbursements</i>	<u>401,680</u>	<u>849,716</u>	<u>0</u>	<u>1,251,396</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	31,669	(55,777)	0	(24,108)
<i>Fund Cash Balances, January 1</i>	<u>1,300,999</u>	<u>783,958</u>	<u>351</u>	<u>2,085,308</u>
Fund Cash Balances, December 31				
Restricted	0	728,181	351	728,532
Unassigned (Deficit)	<u>1,332,668</u>	<u>0</u>	<u>0</u>	<u>1,332,668</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,332,668</u></u>	<u><u>\$728,181</u></u>	<u><u>\$351</u></u>	<u><u>\$2,061,200</u></u>

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

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$90,045	\$615,842	\$0	\$705,887
Licenses, Permits and Fees	0	11,258	0	11,258
Intergovernmental	137,816	189,701	0	327,517
Earnings on Investments	13,481	0	0	13,481
Miscellaneous	34,277	3,767	0	38,044
<i>Total Cash Receipts</i>	<u>275,619</u>	<u>820,568</u>	<u>0</u>	<u>1,096,187</u>
Cash Disbursements				
Current:				
General Government	634,691	6,280	0	640,971
Public Safety	0	253,638	0	253,638
Public Works	24,309	612,072	0	636,381
Health	1,475	0	0	1,475
<i>Total Cash Disbursements</i>	<u>660,475</u>	<u>871,990</u>	<u>0</u>	<u>1,532,465</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(384,856)</u>	<u>(51,422)</u>	<u>0</u>	<u>(436,278)</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	27,053	0	0	27,053
<i>Total Other Financing Receipts (Disbursements)</i>	<u>27,053</u>	<u>0</u>	<u>0</u>	<u>27,053</u>
<i>Net Change in Fund Cash Balances</i>	<u>(357,803)</u>	<u>(51,422)</u>	<u>0</u>	<u>(409,225)</u>
<i>Fund Cash Balances, January 1</i>	<u>1,658,802</u>	<u>835,380</u>	<u>351</u>	<u>2,494,533</u>
Fund Cash Balances, December 31				
Restricted	0	783,958	351	784,309
Unassigned (Deficit)	1,300,999	0	0	1,300,999
<i>Fund Cash Balances, December 31</i>	<u>\$1,300,999</u>	<u>\$783,958</u>	<u>\$351</u>	<u>\$2,085,308</u>

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

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

1. Summary of Significant Accounting Policies

A. Description of the Entity

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

The Township participates in Ohio Township Association Risk Management (OTARMA), a risk-sharing pool available to Ohio Townships. The Township also participates in a joint venture, the Zanesville-Falls Township Joint Economic Development District (JEDD). Notes 6 and 7 to the financial statements provide additional information for these entities.

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

B. Accounting Basis

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

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

C. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

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

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

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

C. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

Fire District Fund – This fund receives tax levy monies for fire levies and is transferred to the Falls Township Voluntary Fire Department.

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. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

E. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

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

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Fund Balance (Continued)

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

2. Equity in Pooled Deposits

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

	2013	2012
Demand deposits	\$1,632,200	\$1,406,308
Certificates of deposit	429,000	679,000
Total deposits	\$2,061,200	\$2,085,308

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$399,055	\$433,349	\$34,294
Special Revenue	821,456	793,939	(27,517)
Total	\$1,220,511	\$1,227,288	\$6,777

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,000,000	\$401,680	\$598,320
Special Revenue	1,369,900	849,716	520,184
Total	\$2,369,900	\$1,251,396	\$1,118,504

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$420,900	\$302,672	(\$118,228)
Special Revenue	817,200	820,568	3,368
Total	\$1,238,100	\$1,123,240	(\$114,860)

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. Budgetary Activity (Continued)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,000,000	\$660,475	\$339,525
Special Revenue	1,369,900	871,990	497,910
Total	\$2,369,900	\$1,532,465	\$837,435

4. Property Tax

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

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

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

5. Retirement Systems

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits. The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10%, respectively, of their gross salaries and the Township contributed an amount equaling 14%, of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

6. Risk Management

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

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

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

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

6. Risk Management (Continued)

settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Assets	\$34,954,286	\$34,771,270
Liabilities	(8,486,363)	(9,355,082)
Net Position	<u>\$26,467,923</u>	<u>\$25,416,188</u>

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$2,000.

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

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2012</u>
\$4,064	\$11,184

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

6. Risk Management (Continued)

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

7. Joint Venture

The Zanesville-Falls Township Joint Economic Development District (JEDD) was created during 2011 pursuant to Ohio Revised Code Sections 715.72 to 715.83. The JEDD was created to facilitate economic development to create or preserve jobs and employment opportunities and to improve the economic welfare of the people in the State, the City, the Township, and the District. The JEDD is operated by a three to five member board. The Township and the City of Zanesville each appoint one member; the Township and County each appoint a third and fourth member from a list of candidates submitted by the business owners located within the JEDD District; and the fifth member shall be selected by the other members of the Board.

The JEDD's Board exercises total control over budgeting, appropriation, contracting, and management. The JEDD's Board, pursuant to Section 715.74, has implemented a 1.9 percent income tax that will be used for the purposes of the JEDD. The continued existence of the JEDD is dependent upon the continued participation by the City of Zanesville and the Township; however, the City or Township does not have an equity interest in the JEDD. The JEDD is not accumulating significant financial resources and is not experiencing fiscal distress that may cause an additional financial burden on the Township. Complete financial information can be obtained from the Zanesville-Falls Township Joint Economic Development District, Zanesville, Ohio.

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

Falls Township
Muskingum County
P.O. Box 511
Zanesville, Ohio 43701

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Falls Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated August 8, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-002 and 2013-003 described in the accompanying Schedule of Findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2013-001.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

August 8, 2014

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

FINDING NUMBER 2012-001

Noncompliance

Ohio Rev. Code § 5705.38(C) states appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services.

The Board of Trustees approved temporary and permanent appropriation measures for 2013 and 2012 at the fund level. Failure to pass the appropriations at the required level gives the Board of Trustees less authority over the Township's spending.

We recommend the Board of Trustees adopt appropriations at the legal level of control specified by the Ohio Revised Code.

FINDING NUMBER 2013-002

Material Weakness

Governmental Accounting Standards Board Statement No. 54 defines the restricted fund balance classification to include amounts that can be used when constraints placed on the use of resources were either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. The Statement also defines the unassigned fund balance classification as a fund balance that has not been assigned to other funds that has not been restricted, committed, or assigned to specific purposes within the general fund.

During 2012, the Township classified part of the General Fund balance of \$776,000 as restricted rather than unassigned. This reclassification, with which management agrees, has been posted to the Township's financial statements.

We recommend the Township record fund balances according to the Governmental Accounting Standards Board Statement No. 54. The Fiscal Officer may review Auditor of State Bulletin 2011-004 for further guidance on classifying the Township's fund balances.

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-003

Material Weakness

All local public offices should 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.

The Ohio Township Handbook 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 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.

For the fiscal year ending December 31, 2012, we noted the following posting errors:

- Excess IRP receipt in the amount of \$568 in the General Fund was misclassified as Miscellaneous instead of Intergovernmental;
- Sale of Land at Richey Road receipt in the General Fund was misclassified as Miscellaneous instead of Sale of Capital Assets in the amount of \$27,053;
- Homestead/Rollback receipts in the amount of \$12,244 in the General Fund were misclassified as Property and Other Local Taxes instead of Intergovernmental;
- Homestead/Rollback receipts in the amount of \$55,615 in the Road and Bridge Fund were misclassified as Property and Other Local Taxes instead of Intergovernmental; and
- Homestead/Rollback receipts in the amount of \$33,402 in the Fire District Fund were misclassified as Property and Other Local Taxes instead of Intergovernmental.

For the fiscal year ending December 31, 2013, we noted the following posting errors:

- Excess IRP receipt in the amount of \$634 in the General Fund was misclassified as Miscellaneous instead of Other Intergovernmental;
- Homestead/Rollback receipts in the amount of \$11,718 in the General Fund were misclassified as Property and Other Local Taxes instead of Intergovernmental;
- Homestead/Rollback receipts in the amount of \$54,639 in the Road and Bridge Fund was misclassified as Property and Other Local Taxes instead of Intergovernmental; and
- Homestead/Rollback receipts in the amount of \$32,804 in the Fire District Fund was misclassified as Property and Other Local Taxes instead of Intergovernmental.

Incorrect postings of financial statement account classifications could result in inaccurate reporting of the Township's financial information. These reclassifications were agreed to by management and have been posted to the financial statements.

We recommend the Township utilize available authoritative resources to appropriately classify receipts.

Officials' Response: We did not receive a response from Officials to the findings reported above.

**FALLS TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUP FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Summary from Agreed Upon Procedures engagement for the years ended December 31, 2011 and 2010:	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Payroll Cash Disbursements - Ohio Rev. Code § 117.28, Finding for Recovery for public monies illegally expended for unearned leave in the amount of \$1,355.	Yes	Finding was repaid on a monthly payment plan and was completely repaid as of August 8, 2014. No such findings were noted during the current audit period.
Non-Payroll Cash Disbursements - Ohio Rev. Code § 117.28, Finding for Recovery for public monies illegally expended due to unsupported credit card disbursements for which it could not be determined if the transactions were for a proper public purpose relating to Township business.	Yes	Finding was completely repaid. No such findings noted during the current audit period.
Non-Payroll Cash Disbursements - Ohio Rev. Code § 117.28, Findings for Recovery for public monies illegally expended on Staples, restaurant and hotel purchases for which it could not be determined if the transactions were for a proper public purpose relating to Township business.	Yes	Findings were completely repaid. No such findings noted during the current audit period.
Non-Payroll Cash Disbursements - Ohio Rev. Code § 117.28, Finding for Recovery for public monies illegally expended for reimbursement of unallowable out-of-pocket insurance coverage.	Yes	Finding was completely repaid. No such findings noted during the current audit period.
Non-Payroll Cash Disbursements - Ohio Rev. Code § 117.28, Finding for Recovery for public monies illegally expended for a Heath Savings Account which was determined to be an in-term increase.	Yes	Finding was completely repaid. No such findings noted during the current audit period.
Compliance – Budgetary – None of the 2011 estimated receipts for the General, Gasoline Tax, and Road and Bridge Funds on the Amended Certificate of Estimated Resources were entered into the accounting system.	Yes	
Compliance – Budgetary – The Township approved appropriations at the fund level contrary to Ohio Rev. Code § 5705.38(C).	No	Not Corrected; repeated as Finding Number 2013-001 in the Schedule of Findings.

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Dave Yost • Auditor of State

FALLS 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
AUGUST 21, 2014**