



Dave Yost • Auditor of State

**MEIGS TOWNSHIP
MUSKINGUM COUNTY**

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Dave Yost • Auditor of State

Meigs Township
Muskingum County
10245 Leo Lane
Blue Rock, Ohio 43720

To the Board of Trustees:

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 1, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Meigs Township
Muskingum County
10245 Leo Lane
Blue Rock, Ohio 43720

To the Board of Trustees:

We have audited the accompanying financial statements of Meigs Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2011 and 2010. 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.

Except as discussed in paragraphs 6, 7, and 8, 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(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

During our audit of the years 2007 and 2006, we reported the Township failed to comply with Ohio Revised Code Section 505.24(C) and Ohio Attorney General Opinion No. 2004-056, which require trustees to document the proportionate amount chargeable to other township funds based on the kinds of services rendered. Without this documentation, the Township is required to charge salaries and benefits to the General Fund. During these years, the Board of Trustees did not prepare documentation of their time spent. In addition, during the audit of the years 2007 and 2006, we reported the Township failed to comply with Ohio Revised Code Section 5705.10(H) that requires that money paid into a fund be used only for the purposes said fund is established. During 2006, we noted the Township paid for certain expenditures of an administrative nature from the Gasoline Tax and Road and Bridge funds rather than the General Fund. Therefore, findings for adjustment totaling \$59,781 were issued against the Township's General Fund in favor of the Township's Motor Vehicle License Tax, Gasoline Tax, and Road and Bridge funds in the amounts of \$2,064, \$51,721, and \$5,996, respectively. The Township declined to make these adjustments due to the impact these adjustments would have on the General Fund.

On June 10, 2008, the Township adopted Resolution No. 06-10-08 which established for the reimbursement of the findings for adjustment to be made at a rate of at least \$10,000 per year, commencing in December of 2009, and continuing each year thereafter until said funds are restored. During 2009, The Township transferred \$2,064 and \$4,129 to the Motor Vehicle License Tax and Road and Bridge funds, respectively. During 2010 and 2011, the Township transferred \$10,000 per year from the General Fund to the Gasoline Tax Fund as part of this reimbursement.

The effect of the matters, in the preceding two paragraphs, on the Township's reported fund balances is as follows:

Fund	December 31, 2010 Fund Balance (Over) / Understated	December 31, 2011 Fund Balance (Over) / Understated
General Fund	(\$43,588)	(\$33,588)
Gasoline Tax Fund	41,721	31,721
Road and Bridge Fund	1,867	1,867
Net	\$0	\$0

In our opinion, because of the effects of the matters referred to in the preceding three paragraphs, the financial statements referred to above do not present fairly, in all material respects, the combined fund cash balances of the General Fund and Special Revenue Fund types of Meigs Township, Muskingum County, Ohio, as of December 31, 2011 and 2010 and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Permanent Fund as of December 31, 2011 and 2010 of Meigs Township, Muskingum County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2012, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

August 1, 2012

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**MEIGS 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, 2011**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$17,810	\$27,025		\$44,835
Intergovernmental	16,748	112,667		129,415
Earnings on Investments	16	18	\$1	35
Miscellaneous	2,297	352		2,649
Total Cash Receipts	36,871	140,062	1	176,934
Cash Disbursements				
Current:				
General Government	23,936	493		24,429
Public Safety		6,781		6,781
Public Works	688	134,030		134,718
Capital Outlay		25,250		25,250
Total Cash Disbursements	24,624	166,554	0	191,178
Excess of Cash Receipts Over (Under) Cash Disbursements	12,247	(26,492)	1	(14,244)
Other Financing Receipts (Disbursements)				
Other Debt Proceeds		25,250		25,250
Transfers In		10,000		10,000
Transfers Out	(10,000)			(10,000)
Total Other Financing Receipts (Disbursements)	(10,000)	35,250	0	25,250
Net Change in Fund Cash Balances	2,247	8,758	1	11,006
Fund Cash Balances, January 1	7,529	58,013	504	66,046
Fund Cash Balances, December 31				
Nonspendable			500	500
Restricted		55,642	5	55,647
Committed	33,588	11,129		44,717
Assigned				0
Unassigned (Deficit)	(23,812)			(23,812)
Fund Cash Balances, December 31	\$9,776	\$66,771	\$505	\$77,052

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

**MEIGS 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, 2010**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Permanent	
Cash Receipts:				
Property and Other Local Taxes	\$17,463	\$26,056		\$43,519
Licenses, Permits, and Fees	250			250
Intergovernmental	16,815	100,958		117,773
Earnings on Investments	19	16		35
Miscellaneous	3,065			3,065
	<u>37,612</u>	<u>127,030</u>	<u>\$0</u>	<u>164,642</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	26,802	3,937		30,739
Public Safety		6,480		6,480
Public Works	672	124,457		125,129
Debt Service:				
Interest and Other Fiscal Charges		5,009		5,009
	<u>27,474</u>	<u>139,883</u>	<u>0</u>	<u>167,357</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>10,138</u>	<u>(12,853)</u>	<u>0</u>	<u>(2,715)</u>
Other Financing Receipts / (Disbursements):				
Sale of Fixed Assets		2,000		2,000
Transfers-In		10,000		10,000
Transfers-Out	(10,000)			(10,000)
	<u>(10,000)</u>	<u>12,000</u>	<u>0</u>	<u>2,000</u>
Total Other Financing Receipts / (Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	138	(853)		(715)
Fund Cash Balances, January 1 (Restated - See Note 2)	<u>7,391</u>	<u>58,866</u>	<u>504</u>	<u>66,761</u>
Fund Cash Balances, December 31	<u>\$7,529</u>	<u>\$58,013</u>	<u>\$504</u>	<u>\$66,046</u>

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

**MEIGS TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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 Meigs 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, fire protection and emergency medical services. The Township contracts with the Malta & McConnelsville Volunteer Fire Department to provide fire services and Community Ambulance, to provide ambulance services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk-sharing pool. Note 8 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.

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

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose 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.

**MEIGS TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

C. Fund Accounting (Continued)

3. Permanent Fund

This fund accounts for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant Permanent Fund:

Barton Alexander Trust Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

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 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 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 canceled, and reappropriated in the subsequent year.

A summary of 2011 and 2010 budgetary activity appears in Note 4.

E. Fund Balance

For December 31, 2011, 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.

**MEIGS TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(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.

2. Restatement Note

The Township posted a fund balance adjustment to their accounting records due to an adjustment proposed by the Auditor of State in the prior audit for local government money that was posted to the Motor Vehicle License Tax Fund but should have been posted to the General Fund in the amount of \$612. It had the following effect on the fund balance at January 1, 2010:

**MEIGS TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

2. Restatement Note (Continued)

	General	Special Revenue
December 31, 2009 Fund Cash Balance	\$6,779	\$59,478
Adjustment	612	(612)
January 1, 2010 Fund Cash Balance	\$7,391	\$58,866

3. Equity in Pooled Deposits and Investments

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:

	2011	2010
Demand deposits	\$77,052	\$66,046

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$40,977	\$36,871	(\$4,106)
Special Revenue	144,885	175,312	30,427
Permanent	1	1	0
Total	\$185,863	\$212,184	\$26,321

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$45,873	\$34,624	\$11,249
Special Revenue	189,302	166,554	22,748
Permanent	1	0	1
Total	\$235,176	\$201,178	\$33,998

**MEIGS TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

4. Budgetary Activity (Continued)

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$37,067	\$37,612	\$545
Special Revenue	128,739	139,030	10,291
Permanent	1	0	(1)
Total	\$165,807	\$176,642	\$10,835

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$42,337	\$37,474	\$4,863
Special Revenue	181,668	139,883	41,785
Permanent	5	0	5
Total	\$224,010	\$177,357	\$46,653

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Gasoline Tax Fund by \$25,250 for the year ended December 31, 2011.

5. 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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each August 1.

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

6. Debt

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
Mower Loan Agreement	\$25,250	3.20%

**MEIGS TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

6. Debt (Continued)

The Township entered into a debt contract on December 29, 2011 for a mower with a spreader and ditched head to be used for Township roads. Annual payments of \$6,825, including interest are due on the tractor through December 30, 2015. The mower serves as collateral for the loan. The loan did not meet the requirements of Ohio Rev. Code Section 133.

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

<u>Year ending December 31:</u>	<u>Loan Agreement</u>
2012	\$6,825
2013	6,825
2014	6,825
2015	6,825
Total	<u><u>\$27,300</u></u>

7. Retirement System

The Township's employees and officials 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 includes postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2011.

8. Risk Management

Risk Pool Membership

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**MEIGS TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

8. Risk Management (Continued)

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 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, 2010 and 2009 (the latest information available):

	<u>2010</u>	<u>2009</u>
Assets	\$35,855,252	\$38,982,088
Liabilities	(10,664,724)	(12,880,766)
Net Assets	<u>\$25,190,528</u>	<u>\$26,101,322</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$4,000.

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>	
2009	\$3,926
2010	\$4,881
2011	\$5,351

**MEIGS TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

8. 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.



Dave Yost • Auditor of State

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

Meigs Township
Muskingum County
10245 Leo Lane
Blue Rock, Ohio 43720

To the Board of Trustees:

We have audited the financial statements of Meigs Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated August 1, 2012, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and adopted GASB Statement No. 54. We also issued an adverse opinion on the 2011 and 2010 financial statements of the General and Special Revenue Fund types due to the Township declining to make findings for adjustment from the 2007 and 2006 audit performed by the Auditor of State. We also noted 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(A) mandates 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

Our consideration of 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 internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings that we consider significant deficiencies in internal control over financial reporting. We consider findings 2011-01 and 2011-03 to be significant deficiencies. 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.

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 2011-01 and 2011-02.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 1, 2012.

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, the Board of Trustees, and others within the Township. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

August 1, 2012

**MEIGS TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

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

FINDING NUMBER 2011-01

Noncompliance and Significant Deficiency

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated. In addition, 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.

During 2011, the Board of Trustees entered into a debt agreement for \$25,250 for the purpose of purchasing a mower and attachments. 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 nor adopt additional appropriations for the purchase.

As a result, receipts and disbursements were understated on the Township's financial records and financial statements for 2011. This also resulted in a 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.

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.

Official's Response: The Board of Trustees of Meigs Township will properly record debt proceeds and corresponding expenditures in future purchases.

FINDING NUMBER 2011-02

Noncompliance

Ohio Rev. Code Chapter 133 allows various methods for subdivisions to incur debt. Section 133.22 allows a subdivision to issue anticipatory securities; Section 133.10 allows anticipation securities in anticipation of current property tax revenues or in anticipation of current revenues in and for any fiscal year from any source or combination of sources, including distributions of any federal or state monies, other than the proceeds of property taxes levied by the subdivision; Section 133.14 allows the issuance of securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct; and Section 133.18 allows the taxing authority of a subdivision by legislation to submit to the electors of the subdivision the question of issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

**MEIGS TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2011-02 (Continued)

Noncompliance - Ohio Rev. Code Chapter 133 (Continued)

In 2011, the Board of Trustees and Fiscal Officer signed a promissory note with Kansas State Bank to purchase a mower with attachments. Due to the fact that this debt is a promissory note between a banking institution and the Township, the note does not meet the requirements set forth in Ohio Revised Code Chapter 133.

The Ohio Revised Code contains various methods of incurring debt for Townships. Installment loans and promissory notes with banking institutions are not legal methods of debt for Townships. We recommend the Board of Trustees consult with the Township's legal counsel prior to the Township incurring future debt.

Official's Response: The Board of Trustees of Meigs Township attempted to use the master leasing program from the Ohio Township Association to purchase the mower and attachments but was denied because the lease amount did not exceed the minimum required to participate in the program.

FINDING NUMBER 2011-03

Significant Deficiency

Governmental Accounting Standards Board Statement No. 54 defines the committed fund balance classification to include amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.

On June 10, 2008, the Township adopted a Resolution No. 06-10-08, which established for the reimbursement of a previous audit finding for adjustment, to be made at a rate of at least \$10,000 per year, commencing in December of 2009, and continuing each year thereafter until said funds are restored. As of December 31, 2011, the Township had an outstanding balance of \$33,588 for the finding for adjustment from the General Fund to the Gasoline Tax Fund and Road and Bridge Fund. The Township failed to properly classify the remaining balance of the finding for adjustment as committed fund balance, in the General Fund, on the Township's financial statements. As a result, an audit adjustment, to which management has agreed, is reflected in the accompanying financial statements.

We recommend the Township record fund balances according to the purposes that the Township's Board of Trustees has designated the monies. The Fiscal Officer may review Auditor of State Bulletin 2011-004 for further guidance on classifying the Township's fund balances.

Official's Response: While attending a GASB 54 training class from the state auditor's office, the fiscal officer asked the instructors about the finding for adjustment and if the \$10,000 to be paid from the General Fund to the Gasoline Tax Fund was to be listed as committed. It was the opinion of the instructors that since the \$10,000 was appropriated at the beginning of the year and then transferred before the end of the year that the remaining balance of the General Fund would be unassigned. The fiscal officer did not record the General Fund as committed because of this opinion. The General Fund will be classified as committed in the future until the finding for adjustment listed above has been repaid.

**MEIGS TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

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

FINDING NUMBER 2011-03 (Continued)

Significant Deficiency (Continued)

AOS Conclusion: The Township's consultation with the instructors was undocumented. As a result, we were unable to substantiate the exact nature of the questions asked or the responses received. We believe the unpaid balance of the Finding for Adjustment should be reflected as a Committed Fund Balance in the financial statements based upon GASB Statement No. 54.

**MEIGS TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Meigs Township Resolution Number 06-10-08 – The Township failed to transfer \$10,000 per year from the General Fund to certain Special Revenue Funds to correct a prior period Finding for Adjustment.	No	Partially corrected. The Township properly made transfers of \$10,000 each year; however, as noted in the <i>Independent Accountants' Report</i> , the Township has not repaid the finding for adjustment from the General Fund to the required funds in its entirety.
2009-002	The Township failed to properly classify certain receipts and disbursements to the proper account.	No	Partially corrected. Repeated in the management letter for the current audit period.



Dave Yost • Auditor of State

MEIGS 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 14, 2012**