

**MUSKINGUM TOWNSHIP
WASHINGTON COUNTY
Regular Audit
December 31, 2005 and 2004**



**Auditor of State
Betty Montgomery**

Board of Trustees
Muskingum Township
26 Township Road
Marietta, Ohio 45750

We have reviewed the *Independent Accountants' Report* of Muskingum Township, Washington County, prepared by Perry & Associates for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State's Office (AOS). Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the AOS permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Muskingum Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

June 21, 2006

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**MUSKINGUM TOWNSHIP
WASHINGTON COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

June 13, 2006

Muskingum Township
Washington County
26 Townhall Road
Marietta, OH 45750

To the Board of Trustees:

We have audited the accompanying financial statements of Muskingum Township, Washington County, Ohio, (the Township) as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately beginning in 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since the Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits.

Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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, 2005 and 2004 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, 2005 and 2004 or their changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Muskingum Township, Washington County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Government has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2006, 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.

Respectfully Submitted,

Perry and Associates
Certified Public Accountants, A.C.

**MUSKINGUM TOWNSHIP
WASHINGTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>					Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Fiduciary Funds</u>	
Cash Receipts:						
Local Taxes	\$ 84,907	\$ 417,997		\$ 32,216		\$ 535,120
Intergovernmental	117,730	208,498		33,126		359,354
Special Assessments		5,712				5,712
Licenses, Permits, and Fees	788			1,756		2,544
Earnings on Investments	12,760	2,153			17	14,930
Other Revenue	275	10,570		90		10,935
	<u>216,460</u>	<u>644,930</u>	<u>0</u>	<u>67,188</u>	<u>17</u>	<u>928,595</u>
Total Cash Receipts						
	<u>216,460</u>	<u>644,930</u>	<u>0</u>	<u>67,188</u>	<u>17</u>	<u>928,595</u>
Cash Disbursements:						
Current:						
General Government	151,063	256,911		29,099		437,073
Public Safety	600	45,388				45,988
Public Works	17,000	295,887		23,678		336,565
Health	22,275	7,320				29,595
Conservation - Recreation	780			4,562		5,342
Debt Service:						
Redemption of Principal		47,742		6,431		54,173
Fiscal and Interest Charges		6,231		1,172		7,403
Capital Outlay		1,550				1,550
	<u>191,718</u>	<u>661,029</u>	<u>0</u>	<u>64,942</u>	<u>0</u>	<u>917,689</u>
Total Cash Disbursements						
	<u>191,718</u>	<u>661,029</u>	<u>0</u>	<u>64,942</u>	<u>0</u>	<u>917,689</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>24,742</u>	<u>(16,099)</u>	<u>0</u>	<u>2,246</u>	<u>17</u>	<u>10,906</u>
Other Financing Receipts/(Disbursements):						
Proceeds from Sale of Public Debt:						
Sale of Fixed Assets		2,151				2,151
Transfers-In		36,000				36,000
Advances-In	16,700					16,700
Transfers-Out				(36,000)	0	(36,000)
Advances-Out		(4,000)		(12,700)		(16,700)
	<u>16,700</u>	<u>34,151</u>	<u>0</u>	<u>(48,700)</u>	<u>0</u>	<u>2,151</u>
Total Other Financing Receipts/(Disbursements)						
	<u>16,700</u>	<u>34,151</u>	<u>0</u>	<u>(48,700)</u>	<u>0</u>	<u>2,151</u>
Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	41,442	18,052		(46,454)	17	13,057
Fund Cash Balances, January 1	297,005	210,002	45	87,133	702	594,887
Fund Cash Balances, December 31	<u>\$ 338,447</u>	<u>\$ 228,054</u>	<u>\$ 45</u>	<u>\$ 40,679</u>	<u>\$ 719</u>	<u>\$ 607,944</u>

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

**MUSKINGUM TOWNSHIP
WASHINGTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>					Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Fiduciary Funds</u>	
Cash Receipts:						
Local Taxes	\$ 75,047	\$ 395,431		\$ 28,822		\$ 499,300
Intergovernmental	82,320	194,241		57,776		334,337
Special Assessments		13,250				13,250
Licenses, Permits, and Fees	1,502					1,502
Earnings on Investments	3,921	456			5	4,382
Other Revenue	3	9,002		20,000		29,005
	<u>162,793</u>	<u>612,380</u>	<u>0</u>	<u>106,598</u>	<u>5</u>	<u>881,776</u>
Total Cash Receipts						
Cash Disbursements:						
Current:						
General Government	157,096	210,071		8,284		375,451
Public Safety	600	40,027				40,627
Public Works		307,190				307,190
Health	24,209	8,160				32,369
Conservation - Recreation	900			778		1,678
Miscellaneous		6,120				6,120
Debt Service:						
Redemption of Principal				12,570		12,570
Fiscal and Interest Charges				2,636		2,636
Capital Outlay		217,303				217,303
	<u>182,805</u>	<u>788,871</u>	<u>0</u>	<u>24,268</u>	<u>0</u>	<u>995,944</u>
Total Cash Disbursements						
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(20,012)</u>	<u>(176,491)</u>	<u>0</u>	<u>82,330</u>	<u>5</u>	<u>(114,168)</u>
Other Financing Receipts/(Disbursements):						
Proceeds from Sale of Public Debt:						
Sale of Notes		174,862				174,862
Advances-In		4,000				4,000
Advances-Out	(4,000)					(4,000)
	<u>(4,000)</u>	<u>178,862</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>174,862</u>
Total Other Financing Receipts/(Disbursements)						
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(24,012)	2,371		82,330	5	60,694
Fund Cash Balances, January 1	321,017	207,631	45	4,803	697	534,193
Fund Cash Balances, December 31	<u>\$ 297,005</u>	<u>\$ 210,002</u>	<u>\$ 45</u>	<u>\$ 87,133</u>	<u>\$ 702</u>	<u>\$ 594,887</u>

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

**MUSKINGUM TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Muskingum Township, Washington 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 and a publicly elected Clerk. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance, and fire protection services. The Township contracts with the Devola Volunteer Fire Department to provide fire protection 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. Cash and Investments

The Township Clerk invests all available funds of the Township in an interest-bearing checking account.

D. 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 has the following significant Special Revenue Funds:

**MUSKINGUM TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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.

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

Fire Fund - This fund receives property tax money to provide fire protection services to Township residents.

3. Debt Service Funds

The Debt Service Fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township has the following significant Debt Service Funds:

General Bond (Note) Retirement Fund - This fund receives property tax money and transfers from other governmental funds to retire the principal and interest due on notes.

4. Capital Project 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). The Township had the following significant Capital Project Fund:

Oak Grove School Building Fund - This fund accounts for money received to acquire the Oak Grove School Building.

Federal Emergency Management Agency - (FEMA) Fund - The Township received money from the Federal and State Emergency Management Agencies to provide flood damage relief.

5. Fiduciary Funds (Trust Funds)

These funds are used to account for resources restricted by legally binding trust agreements. The Township had the following significant Fiduciary Funds:

Rayley Cemetery Bequest Fund - This fund maintains the trust corpus and receives the interest income earned. The income is used for perpetual care of the cemetery.

**MUSKINGUM TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Fiduciary Funds (Trust Funds) (Continued)

Highland Cemetery Bequest Fund – This fund maintains the trust corpus and receives the interest income earned. The income is used for perpetual care of the cemetery.

E. 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, and object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year-end. The Township budgets appropriation amounts for advances.

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 in most instances.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

F. 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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting. The township had no employees during this audit period eligible for leave.

**MUSKINGUM TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

2. EQUITY IN POOLED CASH

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

	2005	2004
Demand deposits	\$607,944	\$594,887

Deposits are either insured (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 ended December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$123,389	\$233,160	\$109,771
Special Revenue	635,365	683,081	\$47,716
Capital Projects	50,097	67,188	\$17,091
Fiduciary	0	17	17
Total	\$808,851	\$983,446	\$174,595

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$418,577	\$191,718	\$226,859
Special Revenue	782,082	665,029	117,053
Capital Projects	131,643	113,642	18,001
Fiduciary	302	0	302
Total	\$1,332,604	\$970,389	\$362,215

**MUSKINGUM TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$122,192	\$162,793	\$40,601
Special Revenue	739,525	766,380	26,855
Capital Projects	38,974	106,598	67,624
Fiduciary	0	5	5
Total	<u>\$900,691</u>	<u>\$1,035,776</u>	<u>\$135,085</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$393,527	\$186,805	\$206,722
Special Revenue	942,021	764,009	178,012
Capital Projects	31,708	24,268	7,440
Total	<u>\$1,367,256</u>	<u>\$975,082</u>	<u>\$392,174</u>

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 payment, 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.

**MUSKINGUM TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

5. DEBT

Debt outstanding at December 31, 2005 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Business Loan (Oak Grove School Building)	\$ 49,365	3.83 %
Business Loan (Fire Truck)	114,608	4.00 %
Business Loan (Roller)	<u>11,232</u>	4.89%
Total	\$175,206	

The business loans were issued in 2003 to finance the purchase of the Oak Grove School Building and in 2004 to finance the purchase of a fire truck and a Bomag Roller.

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

	<u>Business Loans</u>
Year ending December 31:	
2006	\$ 75,733
2007	56,598
2008	<u>56,588</u>
Total	\$188,919

6. RETIREMENT SYSTEMS

The Township's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multi-employer plan. This plan provides retirement benefits, including post retirement 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 2005 and 2004, members of OPERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2005.

7. RISK MANAGEMENT

Risk Pool Membership

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**MUSKINGUM TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

7. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year.

Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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

**MUSKINGUM TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

7. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

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, 2004 and 2003 (the latest information available):

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,687,203	\$27,792,223
Liabilities	<u>(13,640,962)</u>	<u>(11,791,300)</u>
Retained earnings	<u>\$17,046,241</u>	<u>\$16,000,923</u>

<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$7,799,073	\$6,791,060
Liabilities	<u>(753,906)</u>	<u>(750,956)</u>
Retained earnings	<u>\$7,045,167</u>	<u>\$6,040,104</u>

The Township also provides health, dental, and vision insurance coverage to full-time employees through a private carrier.

Perry & Associates
Certified Public Accountants, A.C.

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

June 13, 2006

Muskingum Township
Washington County
26 Townhall Road
Marietta, OH 45750

To the Board of Trustees:

We have audited the financial statements of Muskingum Township, Washington County, (the Township) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated June 13, 2006, 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. 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated June 13, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

MUSKINGUM TOWNSHIP
WASHINGTON COUNTY

Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*

Page 2

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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. In a separate letter to the Township's management dated June 13, 2006, we reported matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and Township Trustees. It is not intended for anyone other than these specified parties.

Respectfully Submitted,

Perry and Associates
Certified Public Accountants, A.C.

**MUSKINGUM TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	ORC § 5705.41 (B) – Expenditures exceeding Appropriations	Yes	N/A



**Auditor of State
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MUSKINGUM TOWNSHIP

WASHINGTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 6, 2006**