



**MORGAN TOWNSHIP
GALLIA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000 - 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

MORGAN TOWNSHIP
GALLIA COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Morgan Township
Gallia County
4240 Morgan Lane
Vinton, Ohio 45686

To the Board of Trustees:

We were engaged to audit the accompanying financial statements of Morgan Township, Gallia County, Ohio (the Township), as of and for the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the Township's management.

The Township did not provide sufficient records, documents, and evidential matter to support the accuracy, validity, existence, and completeness of recorded receipts and disbursements, adequate records such as appropriation and receipt ledgers, completed cashbook or bank reconciliations of the Township nor were we able to satisfy ourselves as to those receipts, disbursements and fund cash balances by other auditing procedures. Because of lack of supporting records, the scope of our work was not sufficient to express, and we do not express, an opinion on these financial statements.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2001, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an engagement performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our engagement.

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

Jim Petro
Auditor of State

October 17, 2001

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**MORGAN TOWNSHIP
GALLIA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$8,918	\$6,190	\$15,108
Intergovernmental	19,284	81,476	100,760
Charges for Services	10,999		10,999
Interest	301	99	400
Other Revenue	1,423		1,423
Total Cash Receipts	40,925	87,765	128,690
Cash Disbursements:			
Current:			
General Government	38,820		38,820
Public Safety		2,432	2,432
Public Works	5,911	73,811	79,722
Debt Service			
Note Principal Payment		1,855	1,855
Interest and Fiscal Charges		38	38
Total Cash Disbursements	44,731	78,136	122,867
Total Cash Receipts Over/(Under) Cash Disbursements	(3,806)	9,629	5,823
Other Financing Sources/(Uses):			
Operating Transfers-in	4,000	12,672	16,672
Operating Transfers-out		(16,672)	(16,672)
Total Other Financing Sources/(Uses)	4,000	(4,000)	0
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	194	5,629	5,823
Fund Cash Balances, January 1	(11,116)	17,653	6,537
Fund Cash Balances, December 31	(\$10,922)	\$23,282	\$12,360

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

**MORGAN TOWNSHIP
GALLIA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Project</u>	
Cash Receipts:				
Local Taxes	\$13,911	\$12,101	\$	\$26,012
Intergovernmental	14,467	64,773		79,240
Charges for Services	10,042			10,042
Interest	267	263		530
Other Revenue	<u>1,352</u>			<u>1,352</u>
Total Cash Receipts	<u>40,039</u>	<u>77,137</u>	<u>0</u>	<u>117,176</u>
Cash Disbursements:				
Current:				
General Government	43,871			43,871
Public Safety		11,125		11,125
Public Works		68,566		68,566
Capital Outlay	7,500	9,329		16,829
Debt Service:				
Note Principal Payment		2,348		2,348
Interest and Fiscal Charges		<u>200</u>		<u>200</u>
Total Cash Disbursements	<u>51,371</u>	<u>91,568</u>	<u>0</u>	<u>142,939</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(11,332)</u>	<u>(14,431)</u>		<u>(25,763)</u>
Other Financing Sources/(Uses):				
Operating Transfers-in	9,223			9,223
Operating Transfers-out			<u>(9,223)</u>	<u>(9,223)</u>
Total Other Financing Sources/(Uses)	<u>9,223</u>		<u>(9,223)</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	(2,109)	(14,431)	(9,223)	(25,763)
Fund Cash Balances, January 1 - Restated, see note 8.	<u>(9,007)</u>	<u>32,084</u>	<u>9,223</u>	<u>32,300</u>
Fund Cash Balances, December 31	<u>(\$11,116)</u>	<u>\$17,653</u>	<u>\$0</u>	<u>\$6,537</u>

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

**MORGAN TOWNSHIP
GALLIA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Morgan Township, Gallia 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 maintenance and 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.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

The Township did not have any investments during 1999 or 2000.

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 had the following significant Special Revenue Funds:

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

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

**MORGAN TOWNSHIP
GALLIA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Capital Project Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following significant Capital Project Fund:

Federal Emergency Management Agency (FEMA) Fund - This fund receives federal money for damages due to flooding.

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, or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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. The Township did not encumber all commitments required by Ohio law.

A summary of 2000 and 1999 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.

**MORGAN TOWNSHIP
GALLIA COUNTY**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2000</u>	<u>1999</u>
Demand Deposits	<u>\$12,360</u>	<u>\$6,537</u>

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

3. BUDGETARY ACTIVITY

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

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 19,569	\$ 44,925	\$ 25,356
Special Revenue	<u>72,058</u>	<u>100,437</u>	<u>28,379</u>
Total	<u>\$ 91,627</u>	<u>\$ 145,362</u>	<u>\$ 53,735</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 54,430	\$ 44,731	\$ 9,699
Special Revenue	<u>113,935</u>	<u>94,808</u>	<u>19,127</u>
Total	<u>\$ 168,365</u>	<u>\$ 139,539</u>	<u>\$ 28,826</u>

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 18,422	\$ 49,262	\$ 30,840
Special Revenue	69,258	77,137	7,879
Capital Projects	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 87,680</u>	<u>\$ 126,399</u>	<u>\$ 38,719</u>

**MORGAN TOWNSHIP
GALLIA COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 0	\$ 51,371	\$ (51,371)
Special Revenue	0	91,568	(91,568)
Capital Projects	0	9,223	(9,223)
Total	\$ 0	\$ 152,162	\$ (152,162)

The Township did not encumber all funds prior to incurring the obligation and budgetary expenditures exceeded appropriation authority for all funds in 1999, contrary to Ohio Revised Code Sections 5705.41(D) and 5705.41(B).

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 in the Township.

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

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

5. RETIREMENT SYSTEM

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

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

**MORGAN TOWNSHIP
GALLIA COUNTY**

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

6. 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 insurance for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Insurance

OTARMA retains casualty risks up to \$250,000 per claim. 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 Insurance

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

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

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:

<u>Casualty Coverage</u>	<u>2000</u>	<u>1999</u>
Assets	\$22,684,383	\$18,172,222
Liabilities	<u>8,924,977</u>	<u>5,947,013</u>
Retained earnings	<u>\$13,759,406</u>	<u>\$12,225,209</u>

<u>Property Coverage</u>	<u>2000</u>	<u>1999</u>
Assets	\$4,156,784	\$3,544,437
Liabilities	<u>497,831</u>	<u>674,752</u>
Retained earnings	<u>\$3,658,953</u>	<u>\$2,869,685</u>

**MORGAN TOWNSHIP
GALLIA COUNTY**

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

7. ACCOUNTABILITY

At December 31, 2000, the General Fund had a deficit balance of \$10,922. Management plans to review all disbursements made subsequent to October 17, 2001, to determine whether they can be paid from the Special Revenue funds in an effort to decrease the expenditures of the General Fund and eliminate the negative fund balance of the General Fund.

8. FUND BALANCE RESTATEMENT

Due to a prior period adjustments, the January 1, 1999 fund balances have been restated as follows:

	<u>General Fund Type</u>	<u>Special Revenue Fund Type</u>
Fund cash balances originally stated, December 31, 1998	\$ (8,578)	\$ 32,722
Prior period adjustment	<u>(429)</u>	<u>(638)</u>
Restated fund cash balances, January 1, 1999	<u>\$ (9,007)</u>	<u>\$ 32,084</u>



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

Morgan Township
Gallia County
4240 Morgan Lane
Vinton, Ohio 45686

To the Board of Trustees:

We were engaged to audit the financial statements of Morgan Township, Gallia County, Ohio (the Township), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated October 17, 2001, wherein we disclaimed an opinion for a lack of evidential matter supporting recorded disbursements.

Compliance

As part of our engagement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our engagement and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that is required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2000-40727-001, 2000-40727-002, 2000-40727-003, 2000-40727-004, 2000-40727-005 and 2000-40727-006. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated October 17, 2001.

Internal Control Over Financial Reporting

In planning and performing our engagement, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 2000-40727-007.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 2000-40727-007 to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated October 17, 2001.

Morgan Township
Gallia County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

Jim Petro
Auditor of State

October 17, 2001

**MORGAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

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

FINDING NUMBER 2000-40727-001

Finding for Recovery

Ohio Rev. Code Section 505.24(B)(3) states that in townships having a budget of more than one hundred thousand dollars but not more than two hundred fifty thousand dollars, the compensation is to be twenty-nine dollars and thirty-six cents per day for not more than 200 days during 1999 for each of the Trustees. Samuel Kemper, Township Trustee, was serving a term from January 1, 1998 to December 31, 2001. Further, the Township's estimated resources for 1999 from the Tax Budget indicated that the appropriate level of pay for Mr. Kemper was \$29.36 per day for 1999. Mr. Kemper was paid the appropriate rate per day but was paid for 205 days, exceeding the 200 day limit. During 1999, Mr. Kemper's compensation was \$6,018.80 while it should have been \$5,872.00, resulting in an overpayment in the amount of \$146.80.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Samuel Kemper, Trustee, and Western Surety Company, jointly and severally, in the amount of one hundred forty-six dollars and eighty cents (\$146.80) and in the favor of the General Fund of Morgan Township.

FINDING NUMBER 2000-40727-002

Noncompliance Citation

Ohio Rev. Code Section 5705.10 states in part that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.

During the testing of receipts it was noted that receipts from Motor Vehicle License Tax and Gasoline Tax were posted to the incorrect funds on several occasions during 1999 and 2000. We also noted that the Township received FEMA funding during 2000 and the receipt was posted to the wrong funds. The financial statements present the information after the necessary adjustments had been made. The posting of the adjusting entries to the financial statements resulted in negative fund balances for the General Fund in the amounts of \$10,922 and \$11,116 at December 31, 2000 and 1999, respectively, and a negative fund balance for the Motor Vehicle License Fund in the amount of \$2,026 at December 31, 1999.

We recommend that the receipts from Motor Vehicle License Taxes and Gasoline Taxes be posted to the Motor Vehicle License Tax Fund and the Gasoline Tax Fund, respectively.

**MORGAN TOWNSHIP
GALLIA COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2000-40727-003

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) states that no subdivision is to expend money unless it has been appropriated.

There were no appropriations approved for 1999. As a result, all expenditures made during 1999 were made without appropriations, and were, therefore, in violation of this Code section.

We recommend the Township approve an annual appropriation measure on or about the first day of each year and file it with the County Budget Commission. We further recommend that the Township's management monitor the expenditures and the budget of the Township to ensure that expenditures do not exceed appropriations.

FINDING NUMBER 2000-40727-004

Noncompliance Citation

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

- A. Then and Now Certificate - If the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of Board.

We found that 90% of nonpayroll disbursements tested for 1999 and 89% of nonpayroll disbursements tested for 2000 had invoice dates that preceded the dates of the corresponding purchase orders.

Proper documentation was not maintained for all of the Township's disbursements. In addition, many of the Township's disbursements were not accompanied by the required Clerk's certificate. This could result in unauthorized disbursements by the Township.

We recommend that all disbursements be accompanied by a properly completed certificate of the fiscal officer as required by Ohio Rev. Code Section 5705.41 (D). We further recommend the use of purchase orders and vouchers for each disbursement. These documents contain the required certificate, and help to ensure that the funds are encumbered prior to the disbursement.

**MORGAN TOWNSHIP
GALLIA COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2000-40727-005

Noncompliance Citation

Ohio Rev. Code Section 5705.39 states that the total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official certificate.

In 2000, appropriations exceeded the estimated resources for the General Fund by \$32,690 or 60%, for the Motor Vehicle License Tax Fund by \$16,343 or 62%, for the Gasoline Tax Fund by \$20,612 or 27%, and for the Fire Fund by \$2,350 or 22%. There was no appropriation measure approved for 1999.

We recommend the Township review budgetary documents to ensure appropriations of the Township do not exceed the estimated resources.

FINDING NUMBER 2000-40727-006

Noncompliance Citation

Ohio Rev. Code Section 5705.36 allows all local governments to request increase amended certificates of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue.

At December 31, 2000, actual receipts exceeded estimated receipts in the General Fund by \$25,934 or 57% and in the Gasoline Tax Fund by \$9,168 or 14%. At December 31, 1999, actual receipts exceeded estimated receipts in the General Fund by \$30,840 or 62% and in the Fire Fund by \$6,414 or 50%. This led to appropriations exceeding actual receipts plus beginning-of-year fund balances, which resulted in a violation of Ohio Rev. Code Section 5705.39. Further, we noted that there was no amendment made to the certificate of estimated resources upon receipt of FEMA funding during 2000.

We recommend that the Township make a stronger effort in developing estimates for budgetary purposes. If the Township determines that the revenues will exceed current estimates, and the Trustees wish to appropriate the increase, an amended certificate should be requested. Proper monitoring of the budgetary activity by the Board of Trustees and the Clerk would enable management to make such determinations, and more effectively monitor the activities of the Township.

**MORGAN TOWNSHIP
GALLIA COUNTY**

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

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

FINDING NUMBER 2000-40727-007

Material Weakness

The Clerk did not maintain appropriate accounting records needed for the management of the Township. The Clerk did not prepare monthly bank reconciliations to reconcile the bank statements to the cashbook. Not performing these monthly reconciliations resulted in errors that went undetected by the Clerk. The Clerk maintained a cashbook and payroll ledger, but no appropriations ledger and receipts ledger was prepared. Since the proper ledgers were not maintained, the Clerk did not prepare monthly financial statements to present to the Board of Trustees.

The appropriations ledger should contain actual expenditures with a running total to be compared to the appropriations for each line item appropriated throughout the year. The receipts ledger should compare the actual receipts to the budgeted receipts for each line item. A running total should be maintained throughout the year.

We recommend the Clerk prepare monthly reconciliations in a timely manner. We further recommend the Clerk maintain an appropriations ledger and receipts ledger, as well as the cashbook and payroll ledger, to aid the Clerk in the preparation of the annual report and monthly financial statements.

Ohio Administrative Code Section 117-2-02 describes records governments should maintain as part of an effective system of accounting and control. Township management should review these requirements.

**MORGAN TOWNSHIP
GALLIA COUNTY**

**CORRECTIVE ACTION PLAN
DECEMBER 31, 2000 AND 1999**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2000-40727-001	Trustee intends to repay the Township	December 31, 2001	Samuel Kemper, Trustee
2000-40727-002	Clerk plans to review the posting of each receipt to ensure it is posted properly	December 31, 2001	Paula Justus, Township Clerk
2000-40727-003	Township plans to approve annual appropriations and monitor them regularly against the expenditures made.	December 31, 2001	Paula Justus, Township Clerk
2000-40727-004	Township plans to strive toward encumbering funds prior to incurring the commitment.	December 31, 2001	Paula Justus, Township Clerk
2000-40727-005	Township plans to monitor appropriations and estimated resources on a regular basis.	December 31, 2001	Paula Justus, Township Clerk
2000-40727-006	Township plans to monitor estimated and actual receipts on a regular basis.	December 31, 2001	Paula Justus, Township Clerk
2000-40727-007	Clerk is going to strive to do timely and accurate bank reconciliations and maintain the ledgers to aid in monitoring the Township's activity.	December 31, 2001	Paula Justus, Township Clerk

**MORGAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2000 AND 1999**

Finding Number	Finding <u>Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1998-40727-001	Ohio Rev. Code Section 5705.10 states in part that all revenue derived from a special levy is to be credited to a special fund for that purpose and all revenue derived from a source other than general property tax that the law prescribes shall be used for a particular purpose is to be paid into a special fund.	No	Report comment was issued through the same code section.
1998-40727-002	Ohio Rev. Code Section 505.60 states a township may reimburse trustees, the clerk, and employees for their out-of-pocket group insurance premiums for insurance obtained elsewhere provided certain conditions are met.	Yes	
1998-40727-003	Ohio Rev. Code Section 507.09(A)(3) states that in townships having a budget of more than one hundred thousand dollars but not more than two hundred fifty thousand dollars, the compensation is to be seven thousand seven hundred dollars for the Clerk as amended to become effective May 8, 1996.	Yes	

**MORGAN TOWNSHIP
GALLIA COUNTY**

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

Finding Number	Finding <u>Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; Explain:
1998-40727-004	Ohio Rev. Code Section 505.24(B)(3) states that in townships having a budget of more than one hundred thousand dollars but not more than two hundred fifty thousand dollars, the compensation is to be twenty-eight dollars and fifty cents per day for not more than 200 days for each of the Trustees as amended to become effective May 8, 1996. Ohio Rev. Code Section 5705.41(D) states that no orders or contracts involving expenditure of money are to be made unless there is a certificate of the fiscal officer attached.	No No	Finding for Recovery was issued through the same code section.
1998-40727-005	The Township lacked the necessary payroll records.	Yes	
1998-40727-006	The Township lacked the necessary payroll records.	Yes	
1998-40727-007	Proper documentation was not maintained for the receipts of the Township.	Yes	Report comment was issued through the same code section.



STATE OF OHIO
OFFICE OF THE AUDITOR

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MORGAN TOWNSHIP

GALLIA 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
NOVEMBER 27, 2001**