



**MORGAN TOWNSHIP  
ASHTABULA COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 1999-1998**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



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## REPORT OF INDEPENDENT ACCOUNTANTS

Morgan Township  
Ashtabula County  
2139 Forman Road  
Jefferson, Ohio 44047

To the Board of Trustees:

We have audited the accompanying financial statements of Morgan Township, Ashtabula County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998. 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2000 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.

This report is intended solely for the information and use of the management, the Board 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.

A handwritten signature in black ink, appearing to read "Jim Petro".

**Jim Petro**  
Auditor of State

June 1, 2000



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

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund</u>	<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>					
Local Taxes	\$14,355	\$141,351	\$11,575		\$167,281
Intergovernmental	9,060	80,735			89,795
Licenses, Permits, and Fees	1,890				1,890
Earnings on Investments	1,691	3,102		179	4,972
Other Revenue	625	11,692			12,317
	<u>27,621</u>	<u>236,880</u>	<u>11,575</u>	<u>179</u>	<u>276,255</u>
<b>Total Cash Receipts</b>					
<b>Cash Disbursements:</b>					
Current:					
General Government	19,510				19,510
Public Safety		30,180			30,180
Public Works		132,607			132,607
Health	4,402	12,505			16,907
Human Services				148	148
Debt Service:					
Redemption of Principal			10,000		10,000
Interest and Fiscal Charges			1,575		1,575
Capital Outlay		3,351			3,351
	<u>23,912</u>	<u>178,643</u>	<u>11,575</u>	<u>148</u>	<u>214,278</u>
<b>Total Cash Disbursements</b>					
<b>Total Receipts Over/(Under) Disbursements</b>	<u>3,709</u>	<u>58,237</u>		<u>31</u>	<u>61,977</u>
<b>Other Financing Receipts/(Disbursements):</b>					
Other Sources	1				1
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>1</u>				<u>1</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>3,710</u>	<u>58,237</u>		<u>31</u>	<u>61,978</u>
<b>Fund Cash Balances, January 1</b>	<u>7,824</u>	<u>122,904</u>		<u>3,583</u>	<u>134,311</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$11,534</b></u>	<u><b>\$181,141</b></u>		<u><b>\$3,614</b></u>	<u><b>\$196,289</b></u>

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

**MORGAN TOWNSHIP  
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN FUND CASH BALANCES  
 ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund</u>	<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>					
Local Taxes	\$12,959	\$175,622	\$12,100		\$200,681
Intergovernmental	10,606	14,896			25,502
Licenses, Permits, and Fees	691				691
Earnings on Investments	1,656	4,435		192	6,283
Other Revenue	3,298	34,930			38,228
	<u>29,210</u>	<u>229,883</u>	<u>12,100</u>	<u>192</u>	<u>271,385</u>
<b>Total Cash Receipts</b>					
<b>Cash Disbursements:</b>					
Current:					
General Government	26,633				26,633
Public Safety		34,531			34,531
Public Works		128,807			128,807
Health	3,979	11,393			15,372
Human Services				139	139
Debt Service:					
Redemption of Principal			10,000		10,000
Interest and Fiscal Charges			2,100		2,100
Capital Outlay		68,429			68,429
	<u>30,612</u>	<u>243,160</u>	<u>12,100</u>	<u>139</u>	<u>286,011</u>
<b>Total Cash Disbursements</b>					
Total Receipts Over/(Under) Disbursements	(1,402)	(13,277)		53	(14,626)
Fund Cash Balances, January 1	9,226	136,181		3,530	148,937
<b>Fund Cash Balances, December 31</b>	<u><b>\$7,824</b></u>	<u><b>\$122,904</b></u>		<u><b>\$3,583</b></u>	<u><b>\$134,311</b></u>

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

**MORGAN TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Morgan Township, Ashtabula County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance and fire protection.

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**

Certificates of deposit are valued at cost.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

**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:

*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 and motor vehicle tax money to pay for constructing, maintaining and repairing Township roads.

**MORGAN TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999 AND 1998**  
**(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Fire District Fund* - This fund receives property tax money for providing fire protection.

**3. Debt Service Fund**

The debt service fund is used to accumulate resources for the payment of note indebtedness.

**4. Fiduciary Funds (Trust Fund)**

This fund is used to account for resources restricted by legally binding trust agreement. The Township had the following significant fiduciary funds:

*Sophie Root* - This fund receives interest for providing help to the indigent people of the township.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) 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 carried over, and need not be reappropriated.

A summary of 1999 and 1998 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. Unpaid Vacation and Sick Leave**

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

**MORGAN TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999 AND 1998**  
**(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$133,521	\$74,373
Certificates of deposit	<u>62,768</u>	<u>59,938</u>
Total deposits	<u><u>196,289</u></u>	<u><u>134,311</u></u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation and collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 1999-98 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$24,000	\$27,621	\$3,621
Special Revenue	205,750	236,880	31,130
Debt Service	11,575	11,575	0
Fiduciary	<u>200</u>	<u>179</u>	<u>(21)</u>
Total	<u><u>\$241,525</u></u>	<u><u>\$276,255</u></u>	<u><u>\$34,730</u></u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$31,824	\$23,912	\$7,912
Special Revenue	328,653	178,643	150,010
Debt Service	11,575	11,575	0
Fiduciary	<u>3,783</u>	<u>148</u>	<u>3,635</u>
Total	<u><u>\$375,835</u></u>	<u><u>\$214,278</u></u>	<u><u>\$161,557</u></u>

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$24,084	\$29,210	\$5,126
Special Revenue	200,401	229,883	29,482
Debt Service	12,100	12,100	0
Fiduciary	<u>200</u>	<u>192</u>	<u>(8)</u>
Total	<u><u>\$236,785</u></u>	<u><u>\$271,385</u></u>	<u><u>\$34,600</u></u>

**MORGAN TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$33,310	\$30,612	\$2,698
Special Revenue	336,582	243,160	93,422
Debt Service	12,100	12,100	0
Fiduciary	3,730	139	3,591
Total	\$385,722	\$286,011	\$99,711

**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.

**5. DEBT**

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
General Obligation Notes	\$20,000	5.25%

The general obligation note was issued to finance the purchase of a Diesel Loader/Backhoe to be used for Township road maintenance.

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

Year ending December 31:	General Obligation Notes
2000	11,053
2001	10,525
Total	\$21,578

**MORGAN TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999 AND 1998**  
**(Continued)**

**6. RETIREMENT SYSTEMS**

The Public Employees Retirement System of Ohio (PERS) is a state operated, cost-sharing, multiple employer public employee retirement system. PERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. PERS also provides survivor and disability benefits to vested employees.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PERS 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, 1999.

**7. RISK MANAGEMENT**

The Township is a member of the Ohio Township Association Risk Management Authority (the Plan). The Plan assumes the risk of loss up to the limits of the Township's policy. The Plan may assess supplemental premiums. The following risks are covered by the Plan:

- Comprehensive Property and General liability
- Vehicles
- Errors and Omissions
- Public Official's Liability
- Boiler and Machinery

The Township also provides health insurance to full-time employees through a private carrier. The Township has workers compensation insurance through a private carrier.

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STATE OF OHIO  
OFFICE OF THE AUDITOR  
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Morgan Township  
Ashtabula County  
2139 Forman Road  
Jefferson, Ohio 44047

To the Board of Trustees:

We have audited the accompanying financial statements of Morgan Township, Ashtabula County, Ohio (the Township), as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated June 1, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of finding as item 1999-41104-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 1, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we 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 June 1, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long horizontal stroke extending to the right.

**Jim Petro**  
Auditor of State

June 1, 2000

**MORGAN TOWNSHIP  
SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND 1998**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 1999-41104-001**

**Noncompliance Citation**

Ohio Administrative Code Section 117-3-11 requires each township to maintain an appropriation ledger which shall contain a separate appropriation for each appropriation account, as prescribed in rule 117-3-04 of the Ohio Administrative Code. Section (C) of this code states that each expenditure or encumbrance charged against an appropriation account shall be posted and subtracted from the appropriated balance producing a declining unencumbered balance. This procedure is to be initiated by an executed purchase order.

The clerk did not post encumbrances to the appropriation ledger for 100% of the transactions tested as prescribed by this Ohio Administrative Code Section.

We recommend the clerk post the purchase orders to the appropriation ledger and accordingly reduce the appropriated balance.





STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**MORGAN TOWNSHIP**

**ASHTABULA 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  
JUNE 20, 2000**