



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

---

**STATE OF OHIO**



MORGAN TOWNSHIP  
SCIOTO COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants .....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2001 .....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2000 .....	4
Notes to the Financial Statements .....	5
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	11
Schedule of Findings .....	13

**This page intentionally left blank.**



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street  
Athens Mall Suite B  
Athens, Ohio 45701  
Telephone 740-594-3300  
800-441-1389  
Facsimile 740-594-2110  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

## REPORT OF INDEPENDENT ACCOUNTANTS

Morgan Township  
Scioto County  
8579 Big Bear Creek Road  
Lucasville, Ohio 45648

To the Board of Trustees:

We have audited the accompanying financial statements of Morgan Township, Scioto County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000. 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 *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 Morgan Township, Scioto County, as of December 31, 2001 and 2000, 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 July 30, 2002, 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 audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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.

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

**Jim Petro**  
Auditor of State

July 30, 2002

**MORGAN TOWNSHIP  
SCIOTO COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
<b>Cash Receipts:</b>				
Local Taxes	\$24,850	\$53,272	\$	\$78,122
Intergovernmental	9,702	64,981		74,683
Earnings on Investments	575	312		887
Other Revenue	1,412	13,498		14,910
Total Cash Receipts	36,539	132,063	0	168,602
<b>Cash Disbursements:</b>				
Current:				
General Government	42,002			42,002
Public Safety		24,224		24,224
Public Works	2,448	76,192		78,640
Health	8,171			8,171
Debt Service:				
Redemption of Principal		7,522		7,522
Interest and Fiscal Charges		1,433		1,433
Capital Outlay		131,329		131,329
Total Cash Disbursements	52,621	240,700	0	293,321
Total Cash Receipts Over/(Under) Cash Disbursements	(16,082)	(108,637)	0	(124,719)
<b>Other Financing Receipts /(Disbursements):</b>				
Proceeds from Sale of Public Debt:				
Sale of Bonds		8,000		8,000
Sale of Notes		96,389		96,389
Total Other Financing Receipts/(Disbursements)	0	104,389	0	104,389
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(16,082)	(4,248)	0	(20,330)
Fund Cash Balances, January 1	23,750	72,536	258	96,544
<b>Fund Cash Balances, December 31</b>	<b>\$7,668</b>	<b>\$68,288</b>	<b>258</b>	<b>\$76,214</b>

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

**MORGAN TOWNSHIP  
SCIOTO 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**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
<b>Cash Receipts:</b>				
Local Taxes	\$24,671	\$34,708	\$	\$59,379
Intergovernmental	38,213	71,404		109,617
Earnings on Investments	397	669		1,066
Other Revenue	1,214	28		1,242
Total Cash Receipts	64,495	106,809	0	171,304
<b>Cash Disbursements:</b>				
Current:				
General Government	38,301			38,301
Public Safety		10,268		10,268
Public Works		83,692		83,692
Health	7,278			7,278
Debt Service:				
Redemption of Principal		3,805		3,805
Interest and Fiscal Charges		1,633		1,633
Capital Outlay		8,379		8,379
Total Cash Disbursements	45,579	107,777	0	153,356
Total Cash Receipts Over/(Under) Cash Disbursements	18,916	(968)	0	17,948
Fund Cash Balances, January 1	4,834	73,504	258	78,596
<b>Fund Cash Balances, December 31</b>	<b>\$23,750</b>	<b>\$72,536</b>	<b>258</b>	<b>\$96,544</b>

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

**MORGAN TOWNSHIP  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Morgan Township, Scioto 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 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**

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:

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

*Fire Equipment Fund* - This fund receives property tax money to purchase fire equipment and provide fire protections service to residents of the Township.

**MORGAN TOWNSHIP  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

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

**D. Fund Accounting (Continued)**

**3. Debt Service Funds**

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following significant Debt Service Fund:

*Debt Service Fund* – This fund was not active for the period January 1, 2000 through December 31, 2001.

**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 law.

A summary of 2001 and 2000 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  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(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:

	2001	2000
Demand Deposits	\$13,845	\$96,544
Total deposits	13,845	96,544
Repurchase agreement	62,369	0
Total Investments	62,369	0
Total deposits and investments	\$76,214	\$96,544

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

**Investments:** The Township's agent holds securities collateralizing repurchase agreements. The securities are not in the Township's name.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$36,388	\$36,539	\$151
Special Revenue	133,212	236,452	103,240
Debt Service	0	0	0
Total	\$169,600	\$272,991	\$103,391

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$56,138	\$52,621	\$3,517
Special Revenue	180,748	240,700	(59,952)
Debt Service	258	0	258
Total	\$237,144	\$293,321	(\$56,177)

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$63,179	\$64,495	\$1,316
Special Revenue	111,097	106,809	(4,288)
Debt Service	0	0	0
Total	\$174,276	\$171,304	(\$2,972)

**MORGAN TOWNSHIP  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$39,148	\$45,579	(\$6,431)
Special Revenue	187,704	107,777	79,927
Debt Service	258	0	258
Total	\$227,110	\$153,356	\$73,754

The Township had expenditures in excess of appropriations in the Road and Bridge Fund, Fire Fund and Fire Equipment Fund at December 31, 2001 and in the General Fund at December 31, 2000.

**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. RETIREMENT SYSTEMS**

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. This 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 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Township has paid all contributions required through December 31, 2001.

**MORGAN TOWNSHIP  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**6. RISK MANAGEMENT**

**Commercial Insurance**

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Public Officials liability
- Vehicles; and
- Errors and omissions.

**7. DEBT**

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Equipment Bond	\$8,000	5.33%
Backhoe Note	9,085	8.00%
Fire Truck Note	96,389	6.00%
Total	\$113,474	

The equipment bond was for new equipment purchased in 2001. The original bond was for \$8,000. The backhoe note was for a backhoe purchased in 1999. The original note was for \$14,075. The fire truck note was for a new fire truck purchased in 2001. The original note was for \$96,389. The notes are collateralized solely by the Township's taxing authority.

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

Year Ending December 31:	Backhoe Note	Fire Truck Note	Equipment Bond
2002	\$3,525	\$14,171	\$1,865
2003	3,525	14,171	1,865
2004	3,525	14,171	1,865
2005		14,171	1,865
2006		14,171	1,865
Subsequent		56,864	
	\$10,575	\$127,719	\$9,325

**This page intentionally left blank.**



**STATE OF OHIO  
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

743 East State Street  
Athens Mall Suite B  
Athens, Ohio 45701  
Telephone 740-594-3300  
800-441-1389  
Facsimile 740-594-2110  
www.auditor.state.oh.us

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

Morgan Township  
Scioto County  
8579 Big Bear Creek Road  
Lucasville, Ohio 45648

To the Board of Trustees:

We have audited the accompanying financial statements of Morgan Township, Scioto County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated July 30, 2002. 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 *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 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2001-40773-001 through 2001-40773-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated July 30, 2002.

**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 July 30, 2002.

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

This report is intended solely 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.

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

July 30, 2002

**MORGAN TOWNSHIP  
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000**

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

**FINDING NUMBER 2001-40773-001**

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

Budgetary expenditures exceeded appropriations in the Road and Bridge Fund by \$5,719 (36%), Fire Fund by \$62,801 (120%), and Fire Equipment Fund by \$6,155 (35%) at December 31, 2001. Budgetary expenditures exceeded appropriations in the General Fund in the amount of \$6,431 (16%) at December 31, 2000.

The Clerk-Treasurer should deny payment requests exceeding appropriations. The Treasurer may request the Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**FINDING NUMBER 2001-40773-002**

Ohio Rev. Code §5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificate: This exception provides that, 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.

Amounts of less than \$100 for counties, or less than \$1,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Twenty-four percent of liabilities, contracts, and open purchase commitments greater than \$1,000 were not certified by the Clerk and were not encumbered until the time of payment. These commitments were not subsequently approved by the Board of Trustees within the aforementioned 30 day time period.

We recommend the Clerk certify the availability of funds prior to incurring any obligations or use then and now certificates.

**MORGAN TOWNSHIP  
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

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

**FINDING NUMBER 2001-40773-003**

**Finding for Recovery – Repaid Under Audit**

Ohio Rev. Code § 507.09(A) states that in a Township having a budget of more than one hundred thousand dollars but not more than two hundred and fifty thousand dollars, the compensation is to be eight thousand four hundred fourteen dollars for the Clerk, and states that in a Township having a budget of more than two hundred and fifty thousand dollars but not more than five hundred thousand dollars, the compensation is to be ten thousand eight hundred eighteen dollars for the Clerk as amended to become effective May 8, 1996. Carolyn Hobbs, Township Clerk, is serving a term as from April 1, 2000 to March 31, 2004. The Clerk’s original term of office was December 1, 1997 through March 31, 2000. The statutory salary was \$7,397.48 for the Township Clerk for January 1, 2000 through November 26, 2000 based on the certificate of estimated resources. The statutory salary was \$991.95 for the Township Clerk for November 27, 2000 through December, 2000 based on the certificate of estimated resources. Carolyn Hobbs received compensation in the amount of \$8,558 during 2000. This resulted in an overpayment for 2000 in the amount of \$168.57. This resulted due to the Clerk having paid herself at the higher level for the period of November 1, 2000 to November 26, 2000 which corresponded to a higher budgetary level. For the period of January through December 2000, Mrs. Hobbs was paid \$8,558.00 when she should have been paid \$8,389.43.

2000	
Salary Allowed for period January 1, 2000-November 26, 2000 Budget: \$227,108.00	\$7,397.48
Salary Allowed for period November 27, 2000 - December 31, 2000 Budget: \$252,871.00	<u>\$991.95</u>
Total Allowed Salary	\$8,389.43
Amount Paid	<u>\$8,558.00</u>
Over(Under) Payment	\$168.57

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for money illegally expended is hereby issued against Carolyn Hobbs, Township Clerk, and the Personal Service Bonding Company, her bonding company, jointly and severally, in the amount of one hundred sixty-eight dollars and fifty-seven cents (\$168.57), in favor of the Morgan Township, General Fund. The finding was paid by Carolyn Hobbs on July 17, 2002, in the amount of \$168.57 with check number 1633. The receipt was posted to the Township General Fund per receipt number 72-02.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**MORGAN TOWNSHIP**

**SCIOTO 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  
SEPTEMBER 5, 2002**