
LINCOLN TOWNSHIP
MORROW COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

Whited Seigneur Sams & Rahe, LLP

CERTIFIED PUBLIC ACCOUNTANTS



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**Auditor of State
Betty Montgomery**

Board of Trustees
Lincoln Township, Morrow County

We have reviewed the Independent Auditor's Report of Lincoln Township, Morrow County, prepared by Whited Seigneur Sams & Rahe, LLP, for the audit period January 1, 2002 through December 31, 2003. 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.

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. Lincoln Township, Morrow County is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

July 13, 2004

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**LINCOLN TOWNSHIP
MORROW COUNTY, OHIO**

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June 8, 2004

Board of Trustees
Lincoln Township
Morrow County
3149 County Road 169
Cardington, OH 43315

Report of Independent Auditor

We have audited the accompanying financial statements of Lincoln Township, Morrow County, Ohio (the Township) as of and for the years ended December 31, 2003 and 2002. 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 audits.

We conducted our audits 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 audits 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 audits provide 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 and reserves for encumbrances of Lincoln Township, Morrow County, Ohio, as of December 31, 2003 and 2002, 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 a report dated June 8, 2004 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 audits.

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

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

**LINCOLN TOWNSHIP
MORROW COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			(Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Total</u>
CASH RECEIPTS				
Local Taxes	\$ 24,374	\$ 61,602	\$ 0	\$ 85,976
Intergovernmental Receipts	16,309	80,113	110,320	206,742
Licenses, Permits & Fees	5,615	3,464	0	9,079
Earnings on Investments	182	115	0	297
Other Revenue	<u>0</u>	<u>1,300</u>	<u>0</u>	<u>1,300</u>
TOTAL CASH RECEIPTS	46,480	146,594	110,320	303,394
CASH DISBURSEMENTS				
Current:				
General Government	53,168	0	0	53,168
Public Safety	1,372	23,869	0	25,241
Public Works	0	99,841	0	99,841
Health	172	8,738	0	8,910
Capital Outlay	50,531	3,775	110,320	164,626
Debt Service:				
Redemption of Principal	0	9,775	0	9,775
Interest and Fiscal Charges	<u>0</u>	<u>950</u>	<u>0</u>	<u>950</u>
TOTAL CASH DISBURSEMENTS	<u>105,243</u>	<u>146,948</u>	<u>110,320</u>	<u>362,511</u>
TOTAL CASH RECEIPTS AND OTHER OVER/(UNDER) CASH DISBURSEMENTS	(58,763)	(354)	0	(59,117)
OTHER FINANCING SOURCES				
Proceeds of Note	60,000	0	0	60,000
Other Sources	<u>377</u>	<u>568</u>	<u>0</u>	<u>945</u>
TOTAL OTHER FINANCING SOURCES	<u>60,377</u>	<u>568</u>	<u>0</u>	<u>60,945</u>
EXCESS OF CASH RECEIPTS AND OTHER FINANCING SOURCES OVER/(UNDER) CASH DISBURSEMENTS	1,614	214	0	1,828
Fund Cash Balances, January 1, 2003	<u>33,200</u>	<u>108,880</u>	<u>0</u>	<u>142,080</u>
Fund Cash Balances, December 31, 2003	<u>\$ 34,814</u>	<u>\$ 109,094</u>	<u>\$ 0</u>	<u>\$ 143,908</u>
Reserve for Encumbrances, December 31, 2003	<u>\$ 0</u>	<u>\$ 77</u>	<u>\$ 0</u>	<u>\$ 77</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**LINCOLN TOWNSHIP
MORROW COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<u>(Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Total</u>
CASH RECEIPTS				
Local Taxes	\$ 20,675	\$ 50,082	\$ 0	\$ 70,757
Intergovernmental Receipts	19,549	73,458	82,371	175,378
Licenses, Permits & Fees	4,075	2,627	0	6,702
Earnings on Investments	417	219	0	636
Other Revenue	<u>0</u>	<u>3,147</u>	<u>0</u>	<u>3,147</u>
TOTAL CASH RECEIPTS	44,716	129,533	82,371	256,620
CASH DISBURSEMENTS				
Current:				
General Government	46,914	0	0	46,914
Public Safety	1,358	21,145	0	22,503
Public Works	60	54,999	0	55,059
Health	829	10,872	0	11,701
Capital Outlay	195	7,682	82,371	90,248
Debt Service:				
Redemption of Principal	0	12,521	0	12,521
Interest and Fiscal Charges	<u>0</u>	<u>1,679</u>	<u>0</u>	<u>1,679</u>
TOTAL CASH DISBURSEMENTS	<u>49,356</u>	<u>108,898</u>	<u>82,371</u>	<u>240,625</u>
TOTAL CASH RECEIPTS AND OTHER OVER/(UNDER) CASH DISBURSEMENTS	(4,640)	20,635	0	15,995
OTHER FINANCING SOURCES (USES)				
Other Sources	1,007	885	0	1,892
Other Uses	<u>(11)</u>	<u>0</u>	<u>0</u>	<u>(11)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>996</u>	<u>885</u>	<u>0</u>	<u>1,881</u>
EXCESS OF CASH RECEIPTS AND OTHER FINANCING SOURCES (USES) OVER/(UNDER) CASH DISBURSEMENTS	(3,644)	21,520	0	17,876
Fund Cash Balances, January 1, 2002	<u>36,844</u>	<u>87,360</u>	<u>0</u>	<u>124,204</u>
Fund Cash Balances, December 31, 2002	<u>\$ 33,200</u>	<u>\$ 108,880</u>	<u>\$ 0</u>	<u>\$ 142,080</u>
Reserve for Encumbrances, December 31, 2002	<u>\$ 0</u>	<u>\$ 77</u>	<u>\$ 0</u>	<u>\$ 77</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**LINCOLN TOWNSHIP
MORROW COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- **Description of the Entity**

Lincoln Township, Morrow County, Ohio (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 and cemetery maintenance. The Township contracts with the Village of Cardington Fire Department to provide emergency medical and fire protection services.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

- **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.

- **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:

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.

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 for constructing, maintaining and repairing Township roads.

Road and Bridge Fund - This fund receives property tax money for the construction, maintenance and repair of Township roads and bridges.

Fire District Fund - This fund received property tax money to provide fire protection and emergency medical services to Township residents.

**LINCOLN TOWNSHIP
MORROW COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Fund Accounting** (Continued)

Capital Project Fund - This fund is 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:

Issue II Fund - The Township received grants from the State of Ohio to resurface roads.

- **Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

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.

Estimated Resources - Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

Encumbrances - The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over and need not be re-appropriated in the subsequent year.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

- **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.

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:

	2003	2002
Demand deposits	\$ 143,908	\$ 142,080

- **Deposits**

Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by securities pledged by the financial institution to the Township.

**LINCOLN TOWNSHIP
MORROW COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and December 31, 2002 were as follows:

2003 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 38,320	\$ 106,857	\$ 68,537
Special Revenue	135,125	147,162	12,037
Capital Projects	<u>0</u>	<u>110,320</u>	<u>110,320</u>
Total	<u>\$ 173,445</u>	<u>\$ 364,339</u>	<u>\$ 190,894</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 74,280	\$ 105,243	\$ (30,963)
Special Revenue	241,323	147,025	94,298
Capital Projects	<u>0</u>	<u>110,320</u>	<u>(110,320)</u>
Total	<u>\$ 315,603</u>	<u>\$ 362,588</u>	<u>\$ (46,985)</u>

2002 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 24,820	\$ 45,723	\$ 20,903
Special Revenue	125,132	130,418	5,286
Capital Projects	<u>82,371</u>	<u>82,371</u>	<u>0</u>
Total	<u>\$ 232,323</u>	<u>\$ 258,512</u>	<u>\$ 26,189</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 60,103	\$ 49,367	\$ 10,736
Special Revenue	214,054	108,975	105,079
Capital Projects	<u>82,371</u>	<u>82,371</u>	<u>0</u>
Total	<u>\$ 356,528</u>	<u>\$ 240,713</u>	<u>\$ 115,815</u>

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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 payments, the first half is due December 31. The second half payment is due the following June 20.

**LINCOLN TOWNSHIP
MORROW COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

4. PROPERTY TAX (Continued)

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, 2003 was as follows:

	<u>Interest Principal</u>	<u>Rate</u>
General Obligation Note	\$60,000	4.37%
General Obligation Bond	\$ 6,000	7.00%

The general obligation note was issued to finance the purchase of an existing building and land to be used for a township hall. The general obligation bond went towards the purchase of a grader. The note is unsecured and the bond is secured by the Township's assets.

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

<u>Year Ending December 31</u>	<u>General Obligation Note</u>	<u>General Obligation Bond</u>
2004	\$ 5,571	\$ 3,420
2005	5,571	3,210
2006	5,571	0
2007	5,571	0
2008	5,571	0
Thereafter	<u>55,710</u>	<u>0</u>
Total	<u>\$ 83,565</u>	<u>\$ 6,630</u>

6. RETIREMENT SYSTEMS

The Township's 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 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 2003 and 2002, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Township has paid all contributions required through December 31, 2003.

**LINCOLN TOWNSHIP
MORROW COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

7. COMMERCIAL INSURANCE

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Wrongful acts

Whited Seigneur Sams & Rahe, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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June 8, 2004

Board of Trustees
Lincoln Township
Morrow County
3149 County Road 169
Cardington, OH 43315

Report on Independent Accountants on Compliance and on Internal Control Required by *Government Auditing Standards*

We have audited the accompanying financial statements of Lincoln Township, Morrow County, Ohio (the Township) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated June 8, 2004. We conducted our audits 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 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 findings as item 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 8, 2004.

Internal Control Over Financial Reporting

In planning and performing our audits, 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 8, 2004.

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

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

**LINCOLN TOWNSHIP
MORROW COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

FINDING NUMBER 2003-001

Ohio Rev. Code Section 5705.41(B) states that expenditures should not exceed appropriations. In 2003, expenditures exceeded appropriations in the General and Capital Projects Issue II funds. This was due mostly to adjustments made to the original financial statements which did not include a bank transaction of \$50,000 in Note Proceeds and Capital Outlay that went directly from the financial institution to the seller in a real estate purchase the Township made. Also, Issue II monies received and spent on behalf of the Township were not posted in 2003. These transactions were not posted and, consequently, were not estimated and appropriated by resolution causing the expenditures to exceed appropriations.



**Auditor of State
Betty Montgomery**

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LINCOLN TOWNSHIP

MORROW 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 27, 2004**