



Mary Taylor, CPA  
Auditor of State



MORGAN TOWNSHIP  
SCIOTO COUNTY

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Mary Taylor, CPA  
Auditor of State

Morgan Township  
Scioto County  
8413 Big Bear Creek Road  
Lucasville, Ohio 45648

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

September 24, 2008

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Morgan Township  
Scioto County  
8413 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, 2007 and 2006. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financials statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Also, 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 Morgan Township, Scioto County, Ohio, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

During 2006, the Township changed its financial statement presentation methods to conform to presentation methods the Auditor of State prescribes or permits.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2008, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

September 24, 2008

**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, 2007**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$34,202	\$76,628	\$110,830
Intergovernmental	42,129	114,374	156,503
Earnings on Investments	1,145	2,657	3,802
Miscellaneous	1,955	4,021	5,976
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	79,431	197,680	277,111
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
General Government	38,879		38,879
Public Safety		31,875	31,875
Public Works		92,397	92,397
Health	13,543		13,543
Debt Service:			
Redemption of Principal		26,389	26,389
Interest and Other Fiscal Charges		8,450	8,450
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	52,422	159,111	211,533
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	27,009	38,569	65,578
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	758	53,936	54,694
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>\$27,767</u></b>	<b><u>\$92,505</u></b>	<b><u>\$120,272</u></b>
	<hr/>	<hr/>	<hr/>
Reserve for Encumbrances, December 31	\$0	\$15,759	\$15,759
	<hr/>	<hr/>	<hr/>

*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, 2006**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$37,400	\$82,683	\$120,083
Intergovernmental	6,242	129,293	135,535
Earnings on Investments	1,621	2,386	4,007
Miscellaneous	2,550	1,639	4,189
	<u>47,813</u>	<u>216,001</u>	<u>263,814</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	44,379		44,379
Public Safety		33,606	33,606
Public Works		113,571	113,571
Health	12,034		12,034
Capital Outlay		26,072	26,072
Debt Service:			
Redemption of Principal		26,936	26,936
Interest and Other Fiscal Charges		11,740	11,740
	<u>56,413</u>	<u>211,925</u>	<u>268,338</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(8,600)</u>	<u>4,076</u>	<u>(4,524)</u>
Fund Cash Balances, January 1	<u>9,358</u>	<u>49,860</u>	<u>59,218</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$758</u></b>	<b><u>\$53,936</u></b>	<b><u>\$54,694</u></b>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$15,759</u>	<u>\$15,759</u>

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

**MORGAN TOWNSHIP  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Morgan Township, Scioto County (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. 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. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

**C. Cash**

The Township maintains an interest bearing checking account that all funds use.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash that are restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose 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.

**MORGAN TOWNSHIP  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

Fire Levy Fund- This fund receives tax money for the purpose of providing fire protection services to Township residents.

**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. Unencumbered appropriations lapse at year end.

**2. 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.

**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. The Township did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying financial statements and budgetary presentations for material unrecorded encumbrances in the amount of \$15,759 for both 2007 and 2006 that should have been encumbered.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**MORGAN TOWNSHIP  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**2. Equity in Pooled Cash**

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

	2007	2006
Demand deposits	\$120,272	\$54,694

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$75,455	\$79,431	\$3,976
Special Revenue	201,484	197,680	(3,804)
Total	\$276,939	\$277,111	\$172

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$43,145	\$52,422	(\$9,277)
Special Revenue	240,532	174,870	65,662
Total	\$283,677	\$227,292	\$56,385

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$47,498	\$47,813	\$315
Special Revenue	224,748	216,001	(8,747)
Total	\$272,246	\$263,814	(\$8,432)

**MORGAN TOWNSHIP  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**3. Budgetary Activity (Continued)**

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$45,852	\$56,413	(\$10,561)
Special Revenue	238,876	227,684	11,192
Total	\$284,728	\$284,097	\$631

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$9,277 and in the Fire Levy Fund by \$14,590 for the year ended December 31, 2007. Expenditures exceeded appropriation authority in the General Fund by \$10,561, the Road and Bridge Fund by \$5,289, the Community Development Block Grant Fund by \$23,495, and in the Fire Levy Fund by \$2,532 for the year ended December 31, 2006. Also contrary to Ohio law, the Township did not obtain reduced amended certificates of estimated resources despite the fact that the deficiency would reduce estimated resources below the stated level of appropriations. The amount of variance between estimated and actual receipts was as follows in 2007: Motor Vehicle License Tax Fund - \$ 8,146, Gasoline Tax Fund - \$930, Permissive Vehicle License Tax Fund - \$4,548. The amount of variance between estimated and actual receipts was as follows in 2006: Permissive Motor Vehicle License Tax Fund - \$4,877 and Motor Vehicle License Tax Fund - \$7,280.

**4. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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.

**MORGAN TOWNSHIP  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**5. Debt**

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Pierce Fire Truck Loan- 2001	\$37,880	6.00%
OPWC Loan	10,717	0.00%
Pierce Fire Truck Loan- 2005	<u>102,719</u>	4.79%
Total	<u><u>\$151,316</u></u>	

The Township issued a general obligation note to finance the purchase of a fire truck for the Township fire department in 2001. The Township's taxing authority collateralized the note. The Township obtained an interest free loan from the Ohio Public Works Commission for the completion of multiple road improvement projects. The Township issued a general obligation promissory note in 2005 for a fire truck for the Township fire department. The Township's taxing authority collateralized the note.

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

Year ending December 31:	<u>Pierce Fire Truck- 2001</u>	<u>OPWC Loan</u>	<u>Pierce Fire Truck- 2005</u>
2008	\$14,171	\$3,062	\$15,759
2009	14,171	3,062	15,759
2010	14,171	3,062	15,759
2011		1,531	15,759
2012			15,759
2013-2015			<u>47,277</u>
Total	<u><u>\$42,513</u></u>	<u><u>\$10,717</u></u>	<u><u>\$126,072</u></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 postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

The Ohio Revised Code prescribes contribution rates. For 2007 and 2006, PERS members contributed 9.5% and 9%, respectively, of their gross salaries and the Township contributed an amount equaling 13.85% and 13.7%, respectively, of participants' gross salaries. The Township has paid all employer contributions required through December 31, 2007.

**7. Risk Management**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

**MORGAN TOWNSHIP  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**7. Risk Management (Continued)**

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

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2007 and 2006:

**MORGAN TOWNSHIP  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**7. Risk Management (Continued)**

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$ 6,527. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<b><u>Contributions to OTARMA</u></b>	
2005	\$ 8,182
2006	\$ 9,108
2007	\$ 6,944

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**8. Contingent Liabilities**

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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**Mary Taylor, CPA**  
Auditor of State

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

Morgan Township  
Scioto County  
8413 Big Bear Creek Road  
Lucasville, Ohio 45648

To the Board of Trustees:

We have audited the financial statements of Morgan Township, Scioto County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated September 24, 2008 wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in

accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting: 2007-005.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiency described above, we believe finding number 2007-005 is also a material weakness.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated September 24, 2008.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2007-001 through 2007-004.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated September 24, 2008.

The Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the management and the Board of Township Trustees. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

September 24, 2008

**MORGAN TOWNSHIP  
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-001**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.10(H) requires that money paid into a fund must be used only for the purposes for which such fund has been established. A negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

Current year expenditures plus outstanding encumbrances exceeded the unencumbered beginning fund balance, actual receipts, and carryover appropriations combined as follows:

<b>Date</b>	<b>Fund</b>	<b>Expenditures plus Outstanding encumbrances</b>	<b>Unencumbered Fund Balance plus actual receipts plus carryover appropriations</b>	<b>Deficit</b>
6/30/2006	General Fund	\$ 38,003	\$ 37,719	\$ (284)
6/30/2006	Gasoline Tax Fund	51,241	17,359	(33,882)
6/30/2006	Fire Levy Fund	45,603	43,651	(1,952)
12/31/2006	Motor Vehicle License Tax	9,583	8,719	(864)
12/31/2006	Fire Levy Fund	60,063	59,891	(172)
6/30/2007	General Fund	38,121	27,024	(11,097)
6/30/2007	Gasoline Tax Fund	59,149	49,970	(9,179)
6/30/2007	Fire Levy	49,121	37,906	(11,215)

Allowing current year expenditures to exceed beginning fund balances and actual receipts will lead to deficit fund balances.

We recommend that the Township monitor receipts as well as monitor and restrict expenditures throughout the year to ensure that current year expenditures plus outstanding encumbrances do not exceed the unencumbered beginning fund balance, actual receipts, and carryover appropriations combined.

**FINDING NUMBER 2007-002**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.36(A)(2) states that upon a determination by the fiscal officer of a subdivision that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources, the fiscal officer may certify the amount of deficiency or excess to the commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the deficiency or excess.

**MORGAN TOWNSHIP  
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

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

**FINDING NUMBER 2007-002 (Continued)**

**Noncompliance Citation - Ohio Rev. Code Section 5705.36(A)(2) (Continued)**

Ohio Revised Code 5705.36(A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency..

The total estimated receipts of the Township exceeded the actual receipts and the total appropriations exceeded the beginning fund balance plus actual receipts for the following funds:

Date	Fund	Estimated Receipts	Actual Receipts	Beginning Fund Balance	Amount of Estimated over Actual Receipts
12/31/2006	Permissive Motor Vehicle License Tax Fund	\$ 16,505	\$ 11,628	\$ 1,251	\$ 4,877
12/31/2006	Motor Vehicle License Tax Fund	15,277	7,998	721	7,280
12/31/2007	Motor Vehicle License Tax Fund	15,736	7,590	982	8,146
12/31/2007	Gasoline Tax Fund	92,570	91,639	18,291	930
12/31/2007	Permissive Motor Vehicle License Tax Fund	16,197	11,649	164	4,548

Since the expenditure of Township funds is based on the estimated receipts, instances when actual receipts do not meet budgetary estimates could lead to overspending.

We recommend the Township Fiscal Officer monitor estimated and actual receipts. When it is apparent that actual receipts will fall short of budgetary estimates, the Township Fiscal Officer should obtain a reduced amended certificate from the County Budget Commission. We further recommend the Board of Township Trustees make corresponding reductions in appropriations.

**FINDING NUMBER 2007-003**

**Noncompliance Citation**

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

Total expenditures exceeded total appropriations on the fund level as follows:

**MORGAN TOWNSHIP  
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

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

**FINDING NUMBER 2007-003**

**Noncompliance Citation - Ohio Rev. Code Section 5705.41(B) (Continued)**

Date	Fund	Total Expenditures	Total Appropriations	Amount by which Expenditures exceed Appropriations
12/31/2006	General Fund	\$ 56,413	\$ 45,852	\$ (10,561)
12/31/2006	Road and Bridge	24,937	19,648	(5,289)
12/31/2006	Fire Levy	60,063	57,532	(2,532)
12/31/2006	Community Block Grant	23,495	-	(23,495)
6/30/2007	Fire Levy	49,121	48,386	(734)
12/31/2007	General Fund	52,422	43,145	(9,277)
12/31/2007	Fire Levy	62,976	48,386	(14,590)

Total Expenditures exceeded appropriations on the legal level of control on November 31, 2007 in the General Fund- General Government- Contract Services line by \$1,682, per a sample of eighteen line items tested in 2007.

Allowing current year expenditures to exceed appropriations results in illegal expenditures and potential negative fund balances.

We recommend that the Township monitor expenditures and appropriations as well as take precautions to ensure that no funds are expended unless they have been properly appropriated.

**FINDING NUMBER 2007-004**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**MORGAN TOWNSHIP  
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

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

**FINDING NUMBER 2007-004 (Continued)**

**Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)**

**1. "Then and Now" Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that 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 Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance 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 Township.

**2. Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**3. Super Blanket Certificate** – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

In 2006, a projected \$5,270.81 of Township recurring transactions tested was not certified by the Fiscal Officer at the time the commitment was incurred and there was no evidence that the Township followed the aforementioned exceptions. Twenty-five percent of the transactions tested for 2006, excluding recurring transactions, were not certified by the Fiscal Officer at the time the commitment was incurred and there was no evidence that the Township followed the aforementioned exceptions. Thirteen percent of the transactions tested for 2007 were not certified by the Fiscal Officer at the time the commitment was incurred, and there was no evidence that the Township followed the aforementioned exceptions.

Unless the Township uses the exceptions noted above, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend the Township Fiscal Officer certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

**MORGAN TOWNSHIP  
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

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

**FINDING NUMBER 2007-004 (Continued)**

**Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)**

We recommend the Township officials and employees obtain the Township Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certificate language of Section 5705.41(D) requires to authorize disbursements. The Township Fiscal Officer should sign the certification at the time the Township incurs the commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Township Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

**FINDING NUMBER 2007-005**

**Material Weakness**

**Financial Reporting**

Sound financial reporting is the responsibility of the Township Fiscal Officer and Board of Township Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

As a result of the audit procedures performed, the following errors were noted in the financial statements that required audit adjustment or reclassification:

- \* In 2006 and 2007, Principal and Interest payments totaling \$38,676 in 2006 and \$34,839 in 2007 were misposted as Capital Outlay in the Fire Levy Fund, Fire Equipment Fund, Permissive Motor Vehicle License Tax Fund, Road and Bridge Fund and Motor Vehicle License Tax Fund and as Public Works in the Gasoline Tax Fund and Permissive Motor Vehicle License Tax Fund.
- \* In 2006, the Community Development Block Grant receipts totaling \$23,495 were misposted as Miscellaneous Receipts instead of as Intergovernmental Receipts.
- \* In 2006 and 2007, utilities were posted to the Road and Bridge Fund and Gasoline Tax Fund instead of the General Fund.
- \* In 2006 and 2007, encumbrances totaling \$15,759 for each year were recorded for the debt payments.
- \* In 2007, intangible taxes, personal property tax exemption monies, manufactured home rollback monies, forest royalty monies, public utilities deregulation monies totaling \$44,691 were posted as Taxes and Miscellaneous Receipts in the General Fund, Road and Bridge Fund, Fire Levy Fund and Fire Equipment Levy Fund instead of as Intergovernmental Receipts.

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes by the Township Fiscal Officer or Board of Township Trustees, to identify and correct errors or omissions.

**Officials' Response:**

We did not receive a response from Officials to the findings reported above.

**MORGAN TOWNSHIP  
SCIOTO COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-001	Ohio Rev. Code Section 5705.41(D) - The Township failed to properly encumber funds/certify funds prior to commitment.	No	Not Corrected. Repeated as Finding Number 2007-004.
2005-002	Ohio Rev. Code Section 5705.39 - Appropriations exceeded estimated resources in the Gasoline tax fund by \$1,680 and the Road and Bridge Fund by \$ 4,947.	Yes	Fully Corrected.
2005-003	Ohio Rev. Code Sections 5705.36(A)(2) and 5705.36(A)(4) - Failure to obtain an amended certificate to reduce estimated resources when deficiency between estimated and actual will reduce resources below the current level of appropriations.	No	Not Corrected. Repeated as Finding 2007-002.



**Mary Taylor, CPA**  
Auditor of State

**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  
OCTOBER 9, 2008**