

Morgan Township

Scioto County, Ohio

Regular Audit

For the Years Ended December 31, 2005 and 2004

BALESTRA, HARR & SCHERER, CPAs, INC.

528 South West Street, P.O. Box 687

Piketon, Ohio 45661

Telephone (740) 289-4131

Fax (740) 289-3639

www.bhscpas.com



**Auditor of State
Betty Montgomery**

Board of Trustees
Morgan Township
8413 Big Bear Creek Road
Lucasville, Ohio 45648

We have reviewed the *Independent Auditors' Report* of Morgan Township, Scioto County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2004 through December 31, 2005. 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. Morgan Township is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

September 6, 2006

This Page is Intentionally Left Blank.

Morgan Township
Scioto County, Ohio
For the Years Ended December 31, 2005 and 2004
Table of Contents

Title	Page
Independent Auditor’s Report	1
Management’s Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets—Cash Basis As of December 31, 2005	9
Statement of Net Assets—Cash Basis As of December 31, 2004	10
Statement of Activities---Cash Basis For the Year Ended December 31, 2005	11
Statement of Activities---Cash Basis For the Year Ended December 31, 2004	12
Fund financial Statements:	
Statement of Cash Basis Assets and Fund Balances Governmental Funds - As of December 31, 2005	13
Statement of Cash Basis Assets and Fund Balances Governmental Funds – As of December 31, 2004	14
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances—Governmental Funds—For the Year Ended December 31, 2005	15
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances—Governmental Funds—For the Year Ended December 31, 2004	16
Statement of Receipts, Disbursements and Changes in Fund Balance— Budget and Actual—Budget Basis—General Fund For the Year Ended December 31, 2005	17
Statement of Receipts, Disbursements and Changes in Fund Balance— Budget and Actual—Budget Basis—Gasoline Tax Fund For the Year Ended December 31, 2005	18
Statement of Receipts, Disbursements and Changes in Fund Balance— Budget and Actual—Budget Basis—Special Fire Levy Fund For the Year Ended December 31, 2005	19
Statement of Receipts, Disbursements and Changes in Fund Balance— Budget and Actual—Budget Basis—Road and Bridge Fund For the Year Ended December 31, 2005	20

Morgan Township
Scioto County, Ohio
For the Years Ended December 31, 2005 and 2004
Table of Contents (Continued)

Statement of Receipts, Disbursements and Changes in Fund Balance— Budget and Actual—Budget Basis—Special Fire Equipment Levy Fund For the Year Ended December 31, 2005	21
Statement of Receipts, Disbursements and Changes in Fund Balance— Budget and Actual—Budget Basis—General Fund For the Year Ended December 31, 2004	22
Statement of Receipts, Disbursements and Changes in Fund Balance— Budget and Actual—Budget Basis—Gasoline Tax Fund For the Year Ended December 31, 2004	23
Statement of Receipts, Disbursements and Changes in Fund Balance— Budget and Actual—Budget Basis— Special Fire Levy Fund For the Year Ended December 31, 2004	24
Statement of Receipts, Disbursements and Changes in Fund Balance— Budget and Actual—Budget Basis— Special Fire Equipment Levy Fund For the Year Ended December 31, 2004	25
Notes to the Financial Statements	26
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	37
Schedule of Findings	38
Schedule of Prior Audit Findings	40
Corrective Action Plan	41

This Page is Intentionally Left Blank.

BALESTRA, HARR & SCHERER, CPAs, INC.

528 South West Street, P.O. Box 687
Piketon, Ohio 45661

Telephone (740) 289-4131
Fax (740) 289-3639
www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Morgan Township, Scioto County, Ohio, (the Township) as of and for the years ended December 31, 2005 and 2004 which collectively comprise the Township's basic financial statements as listed in the table of contents. 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 the Comptroller General of the United States' *Government Auditing Standards*. 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 opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the remaining fund information of Morgan Township, Scioto County, Ohio as of December 31, 2005 and 2004, and the respective changes in cash basis financial position and the respective budgetary comparisons for the General, Gasoline Tax, Special Fire Levy, Road and Bridge and Special Fire Equipment Levy Funds for 2005 and the General, Gasoline Tax, Special Fire Levy, and Special Fire Equipment Levy Funds for 2004 in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2006, 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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audits.

The Management's Discussion and Analysis on pages 3-8 is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

As discussed further in Note 3, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard (GASB) No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosure*, and GASB Statement No. 40 "Deposit and Investment Risk Disclosures".

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.
June 30, 2006

Morgan Township, Scioto County
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

This discussion and analysis of Morgan Township's (the Township's) financial performance provides an overall review of the Township's financial activities for the years ended December 31, 2005 and 2004, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2005 and 2004 are as follows:

Net assets of governmental activities decreased \$28,712, or 32.65 percent, in 2005. Net assets of governmental activities increased \$6,071, or 7.42%, in 2004. The fund most affected by the decrease in cash and cash equivalents in 2005 was the Special Fire Levy Fund, which realized the greatest increase of expenditures. The fund most affected by the increase in 2004 was the Gasoline Tax Fund.

The Township's general receipts are primarily property taxes. These receipts represent respectively 30.52% in 2005 and 48.90% in 2004 of the total cash received for governmental activities during the year. Property tax receipts for 2005 changed very little compared to 2004 as development within the Township has slowed.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Morgan Township, Scioto County
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2005 and 2004, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Township at years end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other non-financial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes and intergovernmental monies.

In the statement of net assets and the statement of activities, the Township reports only one type of activity:

Governmental activities. All of the Township's basic services are reported here. State and federal grants and property and gasoline taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Morgan Township, Scioto County
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are all governmental funds.

Governmental Funds - All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. For 2005, the Township's major governmental funds were the General Fund, Gasoline Tax Fund, Special Fire Levy Fund, Road and Bridge Fund, and Special Fire Equipment Levy Fund. For 2004, the Township's major governmental funds were the General Fund, Gasoline Tax Fund, Special Fire Levy Fund, and Special Fire Equipment Levy Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2005 compared to 2004 on a cash basis:

(Table 1)
Net Assets

	Governmental Activities	
	2005	2004
Assets		
Cash and Cash Equivalents	\$59,219	\$87,931
Total Assets	\$59,219	\$87,931
Net Assets		
Restricted for:		
Public Safety	\$38,383	\$54,472
Debt Service	0	258
Other Purposes	11,478	23,185
Unrestricted	9,358	10,016
Total Net Assets	\$59,219	\$87,931

Morgan Township, Scioto County
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

As mentioned previously, net assets of governmental activities decreased \$28,712 or 32.65 percent during 2005. The primary reason contributing to the decreases in cash balances is as follows:

The expenditures in the Special Fire Levy Fund increased primarily due the purchase of a fire truck and a first response vehicle.

Net assets of governmental activities increased \$6,071 or 7.42 percent during 2004. This is primarily due to expenditures for dust control costs for roads being less in 2004 than in 2003.

Table 2 reflects the changes in net assets in 2005 and 2004.

(Table 2)
Changes in Net Assets

	Governmental Activities 2005	Governmental Activities 2004
Receipts:		
Program Receipts:		
Operating Grants and Contributions	\$ 104,247	\$ 83,292
Total Program Receipts	104,247	83,292
General Receipts:		
Property and Other Local Taxes	105,623	103,602
Sale of Assets	-	4,500
Grants and Entitlements Not Restricted to Specific Programs	6,972	7,049
Notes Issued	122,900	5,000
Interest	2,224	486
Miscellaneous	4,145	7,926
Total General Receipts	241,864	128,563
Total Receipts	346,111	211,855
Disbursements:		
General Government	31,877	36,749
Public Safety	53,032	36,602
Public Works	125,669	89,552
Health	12,100	11,331
Other	5,728	4,223
Capital Outlay	125,900	5,001
Debt Service	20,517	22,326
Total Disbursements	374,823	205,784
Increase (Decrease) in Net Assets	(28,712)	6,071
Net Assets, January 1	87,931	81,860
Net Assets, December 31	\$ 59,219	\$ 87,931

Morgan Township, Scioto County
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

Program receipts represent 39.32 percent of total receipts in 2005 and 30.12 percent of total receipts in 2004 and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 69.88 percent of the Township's total receipts for 2005 and 60.68 percent of the Township's total receipts for 2004, and of this amount, 43.67 percent are local taxes for 2005 and 80.58 percent are local taxes for 2004. Grants and entitlements not restricted to Specific Programs represents 2.88 percent of general receipts for 2005 and 5.48 percent of general receipts for 2004. Proceeds of notes represent 50.81 percent of general receipts for 2005 and 3.88 percent of general receipts for 2004. Other receipts are insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of the Board, and the Clerk, as well as internal services such as payroll and purchasing.

Governmental Activities

If you look at the Statement of Activities on pages 11 and 12, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government and public works, which account for 8.61 and 33.98 percent of all governmental disbursements, respectively in 2005 and 17.86 and 43.52, respectively in 2004. The next column of the Statement entitled Program Cash Receipts identifies grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

	Total Cost Of Services 2005	Total Cost Of Services 2004	Net Cost of Services 2005	Net Cost of Services 2004
General Government	\$31,877	\$36,749	(\$31,877)	(\$36,749)
Public Safety	53,032	36,602	(48,681)	(36,602)
Public Works	125,669	89,552	(27,791)	(12,508)
Health	12,100	11,331	(12,100)	(7,049)
Other	5,728	4,223	(5,728)	(4,223)
Capital Outlay	125,900	5,001	(125,900)	(5,001)
Debt Service	20,517	22,326	(18,499)	(20,360)
Total Expenses	\$374,823	\$205,784	(\$270,576)	(\$122,492)

Morgan Township, Scioto County
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

The Township's Funds

Total governmental funds had receipts of \$346,111 and disbursements of \$374,823 in 2005 and receipts of \$211,855 and disbursements of \$205,784 in 2004. The greatest change within governmental funds occurred within the Special fire Levy Fund. In 2005, the fund balance of the Special fire Levy Fund decreased \$17,691 as the result of increased expenditures during the year for the replacement of a fire truck.

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio Law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

During the course of fiscal years 2005 and 2004 the Township amended its General Fund budget several times. The Township uses fund budgeting and the budgeting systems are designed to tightly control the total funds' budget.

For 2005, General Fund budget basis actual receipts were \$43,319 and \$40,391 for 2004. Total actual disbursements on the budget basis (cash disbursements plus encumbrances) for 2005 were \$43,977, \$658 over cash receipts. Total actual disbursements on the budget basis (cash disbursements plus encumbrances) for 2004 were \$50,080, \$9,689 over cash receipts.

Debt

At December 31, 2005, the Township had debt outstanding of \$59,695 for a Fire Truck, \$122,900 for a new Fire Truck, \$2,781 for a Dump Truck, \$3,434 for a Brush Mower, and \$13,779 for an OPWC Loan. For additional information on debt, see Note 10 to the basic financial statements.

Current Financial Related Activities

Morgan Township is strong financially. As the preceding information shows, the Township heavily depends on its taxpayers and intergovernmental monies. However, financially the future is not without challenges.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Carolyn R. Hobbs, Fiscal Officer, Morgan Township/Scioto County, 8413 Big Bear Creek Road, Lucasville, Ohio 45648.

Morgan Township, Scioto County
Statement of Net Assets - Cash Basis
December 31, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$59,219</u>
<i>Total Assets</i>	<u><u>\$59,219</u></u>
Net Assets	
Restricted for:	
Public Safety	\$38,383
Other Purposes	11,478
Unrestricted:	
Reported In General Fund	<u>\$9,358</u>
<i>Total Net Assets</i>	<u><u>\$59,219</u></u>

See accompanying notes to the basic financial statements

Morgan Township, Scioto County
Statement of Net Assets - Cash Basis
December 31, 2004

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 87,931
<i>Total Assets</i>	<i>\$ 87,931</i>
 Net Assets	
Restricted for:	
Public Safety	\$ 54,472
Debt Service	258
Other Purposes	23,185
Unrestricted	
Reported in General Fund	10,016
<i>Total Net Assets</i>	<i>\$ 87,931</i>

See accompanying notes to the basic financial statements

Morgan Township, Scioto County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2005

	Cash Disbursements	Program Cash Receipts	Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Operating Grants and Contributions	Governmental Activities
Governmental Activities			
General Government	\$31,877	\$0	(\$31,877)
Public Safety	53,032	4,351	(48,681)
Public Works	125,669	97,878	(27,791)
Health	12,100	0	(12,100)
Other	5,728	0	(5,728)
Capital Outlay	125,900	0	(125,900)
Debt Service: Principal	15,795	1,423	(14,372)
Debt Service: Interest	4,722	595	(4,127)
<i>Total Governmental Activities</i>	374,823	104,247	(270,576)
General Receipts			
Property Taxes Levied for:			
General Purposes			32,667
Other Purposes			72,956
Grants and Entitlements not Restricted to Specific Programs			6,972
Notes Issued			122,900
Interest			2,224
Miscellaneous			4,145
<i>Total General Receipts</i>			241,864
Change in Net Assets			(28,712)
<i>Net Assets Beginning of Year</i>			87,931
<i>Net Assets End of Year</i>			\$59,219

See accompanying notes to the basic financial statements

Morgan Township, Scioto County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2004

	Cash Disbursements	Program Cash Receipts Operating Grants and Contributions	Net (Disbursements) Receipts and Changes in Net Assets Governmental Activities
Governmental Activities			
General Government	\$36,749	\$0	(\$36,749)
Public Safety	36,602	0	(36,602)
Public Works	89,552	77,044	(12,508)
Health	11,331	4,282	(7,049)
Other	4,223	0	(4,223)
Capital Outlay	5,001	0	(5,001)
Debt Service: Principal	17,006	1,459	(15,547)
Debt Service: Interest	5,320	507	(4,813)
<i>Total Governmental Activities</i>	205,784	83,292	(122,492)
General Receipts			
Property Taxes Levied for:			
General Purposes			30,369
Other Purposes			73,233
Grants and Entitlements not Restricted to Specific Programs			7,049
Bonds Issued			
Notes Issued			5,000
Sale of Capital Assets			4,500
Interest			486
Miscellaneous			7,926
<i>Total General Receipts</i>			128,563
Change in Net Assets			6,071
<i>Net Assets Beginning of Year</i>			81,860
<i>Net Assets End of Year</i>			\$87,931

See accompanying notes to the basic financial statements

Morgan Township, Scioto County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	General	Gasoline Tax Fund	Special Fire Levy Fund	Road & Bridge Fund	Special Fire Equip. Levy Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$9,358	\$4,814	\$19,384	\$4,436	\$18,999	\$2,228	\$59,219
<i>Total Assets</i>	<u>\$9,358</u>	<u>\$4,814</u>	<u>\$19,384</u>	<u>\$4,436</u>	<u>\$18,999</u>	<u>\$2,228</u>	<u>\$59,219</u>
Fund Balances							
Unreserved:							
Undesignated (Deficit), Reported in:							
General Fund	\$9,358						\$9,358
Special Revenue Funds		\$4,814	\$19,384	\$4,436	18,999	\$2,228	49,861
<i>Total Fund Balances</i>	<u>\$9,358</u>	<u>\$4,814</u>	<u>\$19,384</u>	<u>\$4,436</u>	<u>\$18,999</u>	<u>\$2,228</u>	<u>\$59,219</u>

See accompanying notes to the basic financial statements

Morgan Township, Scioto County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2004

	General	Gasoline Tax Fund	Special Fire Levy Fund	Special Fire Equip. Levy Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$10,016	\$10,923	\$37,075	\$17,397	\$12,520	\$87,931
<i>Total Assets</i>	<u>\$10,016</u>	<u>\$10,923</u>	<u>\$37,075</u>	<u>\$17,397</u>	<u>\$12,520</u>	<u>\$87,931</u>
Fund Balances						
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	\$10,016					\$10,016
Special Revenue Funds		10,923	37,075	17,397	12,262	77,657
Debt Service Fund					258	258
<i>Total Fund Balances</i>	<u>\$10,016</u>	<u>\$10,923</u>	<u>\$37,075</u>	<u>\$17,397</u>	<u>\$12,520</u>	<u>\$87,931</u>

See accompanying notes to the basic financial statements

Morgan Township, Scioto County

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN -CASH BASIS FUND BALANCES
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

	General	Road and Bridge	Special Fire Levy	Spec. Fire Equip. Levy	Gasoline Tax	Other Governmental Funds	Total
Cash Receipts:							
Local Taxes	\$ 32,667	\$ 16,839	\$ 30,471	\$ 13,988	\$ -	\$ 11,658	\$ 105,623
Intergovernmental	6,972	2,463	4,351	2,018	82,226	13,189	111,219
Earnings on Investments	1,257	-	-	-	802	165	2,224
Other Revenue	2,423	167	1,402	153	-	-	4,145
Total Cash Receipts	43,319	19,469	36,224	16,159	83,028	25,012	223,211
Cash Disbursements:							
Current:							
General Government	31,877	-	-	-	-	-	31,877
Public Safety	-	-	52,646	386	-	-	53,032
Public Works	-	15,158	1,269	-	87,699	21,543	125,669
Health	12,100	-	-	-	-	-	12,100
Miscellaneous	-	-	-	-	-	5,728	5,728
Capital Outlay	-	3,000	122,900	-	-	-	125,900
Debt Service							
Principal Retirement	-	3,062	-	9,990	1,177	1,566	15,795
Interest and Fiscal Charges	-	-	-	4,181	261	280	4,722
Total Cash Disbursements	43,977	21,220	176,815	14,557	89,137	29,117	374,823
Total Cash Receipts Over/(Under) Cash Disbursements	(658)	(1,751)	(140,591)	1,602	(6,109)	(4,105)	(151,612)
Other Financing Receipts and (Disbursements):							
Other Sources	-	-	122,900	-	-	-	122,900
Total Other Financing Receipts/(Disbursements)	-	-	122,900	-	-	-	122,900
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(658)	(1,751)	(17,691)	1,602	(6,109)	(4,105)	(28,712)
Fund Cash Balances, January 1	10,016	6,187	37,075	17,397	10,923	6,333	87,931
Fund Cash Balances, December 31	\$ 9,358	\$ 4,436	\$ 19,384	\$ 18,999	\$ 4,814	\$ 2,228	\$ 59,219

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

Morgan Township, Scioto County

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN -CASH BASIS FUND BALANCES
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004

	General	Gasoline Tax	Special Fire Levy	Spec. Fire Equip. Levy	Other Governmental Funds	Total
Cash Receipts:						
Local Taxes	\$ 30,369	\$ -	\$ 31,381	\$ 14,392	\$ 27,460	\$ 103,602
Intergovernmental	7,049	67,226	4,282	1,966	9,818	90,341
Earnings on Investments	302	147	-	-	37	486
Other Revenue	2,671	3,798	1,296	77	84	7,926
Total Cash Receipts	40,391	71,171	36,959	16,435	37,399	202,355
Cash Disbursements:						
Current:						
General Government	36,749	-	-	-	-	36,749
Public Safety	-	-	36,171	431	-	36,602
Public Works	-	59,671	923	-	28,958	89,552
Health	11,331	-	-	-	-	11,331
Other	-	-	-	-	4,223	4,223
Capital Outlay	-	-	-	-	5,001	5,001
Debt Service						
Principal Retirement	2,000	1,264	-	9,515	4,227	17,006
Interest and Fiscal Charges	-	264	-	4,656	400	5,320
Total Cash Disbursements	50,080	61,199	37,094	14,602	42,809	205,784
Total Cash Receipts Over/(Under) Cash Disbursements	(9,689)	9,972	(135)	1,833	(5,410)	(3,429)
Other Financing Receipts and (Disbursements):						
Proceeds from Sale of Public Debt:						
Sale of Bonds	-	-	-	-	5,000	5,000
Sale of Fixed Assets	-	-	4,500	-	-	4,500
Total Other Financing Receipts/(Disbursements)	-	-	4,500	-	5,000	9,500
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(9,689)	9,972	4,365	1,833	(410)	6,071
Fund Cash Balances, January 1	19,705	951	32,710	15,564	12,930	81,860
Fund Cash Balances, December 31	\$ 10,016	\$ 10,923	\$ 37,075	\$ 17,397	\$ 12,520	\$ 87,931

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

Morgan Township, Scioto County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$ 25,750	\$ 31,750	\$ 32,667	\$ 917
Intergovernmental	7,110	7,110	6,972	(138)
Earnings on Investment	500	500	1,257	757
Other	2,694	2,694	2,423	(271)
<i>Total receipts</i>	<u>36,054</u>	<u>42,054</u>	<u>43,319</u>	<u>1,265</u>
Disbursements				
Current:				
General Government	39,970	39,970	31,877	8,093
Health	12,100	12,100	12,100	-
<i>Total Disbursements</i>	<u>52,070</u>	<u>52,070</u>	<u>43,977</u>	<u>8,093</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(16,016)</u>	<u>(10,016)</u>	<u>(658)</u>	<u>9,358</u>
<i>Net Change in Fund Balance</i>	(16,016)	(10,016)	(658)	9,358
<i>Fund Balance Beginning of Year</i>	<u>10,016</u>	<u>10,016</u>	<u>10,016</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ (6,000)</u>	<u>\$ -</u>	<u>\$ 9,358</u>	<u>\$ 9,358</u>

See accompanying notes to the basic financial statements

Morgan Township, Scioto County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Gasoline Tax
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$ 76,756	\$ 76,756	\$ 82,226	\$ 5,470
Interest	500	500	802	302
Other	10,000	10,000	-	(10,000)
<i>Total receipts</i>	<u>87,256</u>	<u>87,256</u>	<u>83,028</u>	<u>(4,228)</u>
Disbursements				
Current:				
Public Works	98,179	96,741	87,699	9,042
Debt Service:				
Principal Retirement	-	1,177	1,177	-
Interest and Fiscal Charges	-	261	261	-
<i>Total Disbursements</i>	<u>98,179</u>	<u>98,179</u>	<u>89,137</u>	<u>9,042</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(10,923)</u>	<u>(10,923)</u>	<u>(6,109)</u>	<u>4,814</u>
<i>Net Change in Fund Balance</i>	(10,923)	(10,923)	(6,109)	4,814
<i>Fund Balance Beginning of Year</i>	11,181	11,181	10,923	(258)
<i>Fund Balance End of Year</i>	<u>\$ 258</u>	<u>\$ 258</u>	<u>\$ 4,814</u>	<u>\$ 4,556</u>

See accompanying notes to the basic financial statements

Morgan Township, Scioto County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Special Fire Levy
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$ 27,700	\$ 27,700	\$ 30,471	\$ 2,771
Intergovernmental	4,300	4,300	4,351	51
Other	5,969	5,969	1,402	(4,567)
<i>Total receipts</i>	<u>37,969</u>	<u>37,969</u>	<u>36,224</u>	<u>(1,745)</u>
Disbursements				
Current:				
Public Safety	68,859	68,859	52,646	16,213
Public Works	2,000	2,000	1,269	731
Capital Outlay	4,185	124,185	122,900	1,285
<i>Total Disbursements</i>	<u>75,043</u>	<u>195,043</u>	<u>176,815</u>	<u>18,228</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(37,075)</u>	<u>(157,075)</u>	<u>(140,591)</u>	<u>16,484</u>
Other Financing Sources (Uses)				
Notes Issued	-	122,900	122,900	-
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>122,900</u>	<u>122,900</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(37,075)	(34,175)	(17,691)	16,484
<i>Fund Balance Beginning of Year</i>	<u>37,075</u>	<u>37,075</u>	<u>37,075</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ -</u>	<u>\$ 2,900</u>	<u>\$ 19,384</u>	<u>\$ 16,484</u>

See accompanying notes to the basic financial statements

Morgan Township, Scioto County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Road & Bridge
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$ 12,800	\$ 16,800	\$ 16,839	\$ 39
Intergovernmental	2,200	2,200	2,463	263
Other	206	206	167	(39)
<i>Total receipts</i>	<u>15,206</u>	<u>19,206</u>	<u>19,469</u>	<u>263</u>
Disbursements				
Current:				
Public Safety	22,393	22,393	15,158	7,235
Capital Outlay	3,000	3,000	3,000	-
Debt Service:				
Principal Retirement	-	-	3,062	(3,062)
<i>Total Disbursements</i>	<u>25,393</u>	<u>25,393</u>	<u>21,220</u>	<u>4,173</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(10,187)</u>	<u>(6,187)</u>	<u>(1,751)</u>	<u>4,436</u>
<i>Net Change in Fund Balance</i>	(10,187)	(6,187)	(1,751)	4,436
<i>Fund Balance Beginning of Year</i>	6,187	6,187	6,187	-
<i>Fund Balance End of Year</i>	<u>\$ (4,000)</u>	<u>\$ -</u>	<u>\$ 4,436</u>	<u>\$ 4,436</u>

See accompanying notes to the basic financial statements

Morgan Township, Scioto County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Special Fire Equipment Levy
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$ 12,000	\$ 14,000	\$ 13,988	\$ (12)
Intergovernmental	2,000	2,000	2,018	18
Other	-	-	153	153
<i>Total receipts</i>	<u>14,000</u>	<u>16,000</u>	<u>16,159</u>	<u>159</u>
Disbursements				
Current:				
General Government	750	750	386	364
Other	18,475	18,475	-	18,475
Capital Outlay	14,171	-	-	-
Debt Service:				
Principal Retirement	-	9,990	9,990	-
Interest and Fiscal Charges	-	4,181	4,181	-
<i>Total Disbursements</i>	<u>33,396</u>	<u>33,396</u>	<u>14,557</u>	<u>18,839</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(19,396)</u>	<u>(17,396)</u>	<u>1,602</u>	<u>18,998</u>
<i>Net Change in Fund Balance</i>	(19,396)	(17,396)	1,602	18,998
<i>Fund Balance Beginning of Year</i>	<u>17,396</u>	<u>17,396</u>	<u>17,397</u>	<u>1</u>
<i>Fund Balance End of Year</i>	<u><u>\$ (2,000)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 18,999</u></u>	<u><u>\$ 18,999</u></u>

See accompanying notes to the basic financial statements

Morgan Township, Scioto County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$ 22,750	\$ 28,725	\$ 30,369	\$ 1,644
Licenses, Permits and Fees	6,040	6,040	7,049	1,009
Intergovernmental	300	300	302	2
Interest	1,985	1,985	2,671	686
Other				
<i>Total receipts</i>	<u>31,075</u>	<u>37,050</u>	<u>40,391</u>	<u>3,341</u>
Disbursements				
Current:				
Public Safety	42,091	40,091	36,749	3,342
Health	11,331	11,331	11,331	-
Debt Service:				
Principal Retirement	-	2,000	2,000	-
<i>Total Disbursements</i>	<u>53,422</u>	<u>53,422</u>	<u>50,080</u>	<u>3,342</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(22,347)</u>	<u>(16,372)</u>	<u>(9,689)</u>	<u>6,683</u>
<i>Net Change in Fund Balance</i>	(22,347)	(16,372)	(9,689)	6,683
<i>Fund Balance Beginning of Year</i>	<u>19,705</u>	<u>19,705</u>	<u>19,705</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ (2,642)</u>	<u>\$ 3,333</u>	<u>\$ 10,016</u>	<u>\$ 6,683</u>

See accompanying notes to the basic financial statements

Morgan Township, Scioto County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Gasoline Tax
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$ 69,214	\$ 69,214	\$ 67,226	\$ (1,988)
Interest	500	500	147	(353)
Other	15,000	15,000	3,798	(11,202)
<i>Total receipts</i>	84,714	84,714	71,171	(13,543)
Disbursements				
Current:				
Public Works	88,873	87,345	59,671	27,674
Debt Service:				
Principal Retirement	-	-	1,264	(1,264)
Interest and Fiscal Charges	-	-	264	(264)
<i>Total Disbursements</i>	88,873	87,345	61,199	26,146
<i>Excess of Receipts Over (Under) Disbursements</i>	(4,158)	(2,630)	9,972	12,602
<i>Net Change in Fund Balance</i>	(4,158)	(2,630)	9,972	12,602
<i>Fund Balance Beginning of Year</i>	951	950	951	1
<i>Fund Balance End of Year</i>	\$ (3,208)	\$ (1,680)	\$ 10,923	\$ 12,603

See accompanying notes to the basic financial statements

Morgan Township, Scioto County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Special Fire Levy
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Receipts				
Property and Other Local Taxes	\$ 26,800	\$ 31,016	\$ 31,381	\$ 365
Intergovernmental	1,200	1,200	4,282	3,082
Other	715	715	1,296	581
<i>Total receipts</i>	<u>28,715</u>	<u>32,931</u>	<u>36,959</u>	<u>4,028</u>
Disbursements				
Current:				
Public Safety	60,040	60,040	36,171	23,869
Public Works	1,400	1,400	923	477
Capital Outlay	4,185	4,185	-	4,185
<i>Total Disbursements</i>	<u>65,625</u>	<u>65,625</u>	<u>37,094</u>	<u>28,531</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(36,910)</u>	<u>(32,694)</u>	<u>(135)</u>	<u>32,559</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	-	-	4,500	4,500
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>4,500</u>	<u>4,500</u>
<i>Net Change in Fund Balance</i>	<u>(36,910)</u>	<u>(32,694)</u>	<u>4,365</u>	<u>37,059</u>
<i>Fund Balance Beginning of Year</i>	<u>32,710</u>	<u>32,710</u>	<u>32,710</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ (4,200)</u>	<u>\$ 16</u>	<u>\$ 37,075</u>	<u>\$ 37,059</u>

See accompanying notes to the basic financial statements

Morgan Township, Scioto County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Special Fire Equipment Levy
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$ 11,200	\$ 11,200	\$ 14,392	\$ 3,192
Intergovernmental	800	800	1,966	1,166
Other	-	-	77	77
	<u>12,000</u>	<u>12,000</u>	<u>16,435</u>	<u>4,435</u>
Disbursements				
Current:				
Public Safety	13,393	13,393	431	12,962
Capital Outlay	14,171	-	-	-
Debt Service:				
Principal Retirement	-	9,425	9,515	(90)
Interest and Fiscal Charges	-	4,746	4,656	90
	<u>27,564</u>	<u>27,564</u>	<u>14,602</u>	<u>12,962</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(15,564)</u>	<u>(15,564)</u>	<u>1,833</u>	<u>17,397</u>
<i>Net Change in Fund Balance</i>	(15,564)	(15,564)	1,833	17,397
<i>Fund Balance Beginning of Year</i>	15,564	15,564	15,564	-
<i>Fund Balance End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,397</u>	<u>\$ 17,397</u>

See accompanying notes to the basic financial statements

Morgan Township
Scioto County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 1 – Reporting Entity

Morgan Township, Scioto County, Ohio (the Township), is a body politic and corporate 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 also has an elected Township Clerk.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, cemetery maintenance. The Township has a Volunteer Fire department for fire protection. The Township has police protection provided by the Scioto County Sherriff Department.

B. Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township. The Township had no component units.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on the cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Morgan Township
Scioto County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 2 – Summary of Significant Accounting Policies (continued)

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash balance of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. All funds of the Township are governmental funds. The Township has no proprietary or fiduciary funds.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are the General Fund, Gasoline Fund, Road and Bridge, Special Fire and Equipment Fund and Special Fire Levy Fund.

The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

In addition, the Road and Bridge Fund was a major fund during 2005.

Morgan Township
Scioto County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 2 – Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

The Gasoline Fund is derived from the gasoline taxes and is used for the maintenance and repairs of township roads and equipment.

The Special Fire Levy Fund is derived from property taxes collected by the County Auditor. The Special Fire and Equipment Fund is derived from property taxes collected by the County Auditor for the purchase of fire equipment.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

Morgan Township
Scioto County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 2 – Summary of Significant Accounting Policies (continued)

E. Cash

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 were \$1,257 and \$967 was assigned to other Township funds. Interest receipts credited to the General Fund during 2004 were \$302 and were \$184 assigned to other Township funds.

F. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

H. Accumulated Leave

Vacation and sick leave benefits are not accrued under the cash basis of accounting as previously described.

I. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long-Term Obligations

The Township’s cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for grants.

The Township’s policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

Morgan Township
Scioto County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 2 – Summary of Significant Accounting Policies (continued)

L. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods.

M. Interfund Transactions

Interfund transfers are reported as other financing sources/uses in governmental funds. Repayment from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements. In the government-wide financial statements, transfers within governmental activities are eliminated.

N. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The Township had no special items for 2005 or 2004.

Note 3 – Change in Basis of Accounting

The Township has elected to present its financial statements in a format consistent with Governmental Accounting Standards Board (GASB) Statements No. 34, 37, and 38, “*Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments.*” These statements create and amend new basic financial statements and note disclosure for reporting on the Township’s financial activities. The financial statements now include government-wide financial statements and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column. GASB Statement No. 34 require GAAP reporting, however the Township presented “look alike” statements on the cash basis of accounting.

The Township also implemented Governmental Accounting Standards Board (GASB) Statement No. 40, “Deposit and Investment Risk Disclosures”. GASB Statement No. 40 establishes and modifies disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits. This statement applies to all state and local governments. The implementation of GASB Statement No. 40 had no effect on the Township’s financial statements.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General, Gasoline Tax, Road and Bridge, Special Fire Levy, and Special Fire Equipment Levy are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements rather than as a reservation of fund balance. The Township has no outstanding encumbrances at year end.

Morgan Township
Scioto County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 5 – Deposits and Investments

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty day;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Morgan Township
Scioto County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 5 – Deposits and Investments (continued)

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At 2005 year end, none of the Township's bank balance of \$56,219 was exposed to custodial credit risk because all of the Township's deposits were insured by FDIC. At 2004 year end, none of the Township's bank balance of \$89,931 was exposed to custodial credit risk because all of the Township's deposits were insured by FDIC.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Note 6 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

Morgan Township
Scioto County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 6 – Property Taxes (continued)

The full tax rate for all Township operations for the year ended December 31, 2005, was \$6.51 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 and 2004 property tax receipts were based are as follows:

	2004	2005
Real Property		
Residential/Agriculture	\$11,111,540	\$12,702,560
Commercial/Industrial/Mineral	2,226,690	2,489,720
Public Utility Property		
Real	0	0
Personal	1,235,140	1,247,540
Tangible Personal Property	553,380	486,380
Total Assessed Value	\$15,136,750	\$16,926,200

Note 7 – Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2005 and 2004 the Township contracted with the Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool available to Ohio Townships. OTAMRA provides property and casualty coverage for its members. OTAMRA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTAMRA. OTAMRA pays judgments, settlements, and other expenses resulting from covered claims that exceed the members' deductibles.

OTARMA retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 which the General Reinsurance Corporation will reinsure.

There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs.

Note 8 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

Morgan Township
Scioto County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 8 – Defined Benefit Pension Plan (continued)

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Township's contribution rate for pension benefits for 2005 was 13.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the Township's pension contributions were 16.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004 and 2003 were \$11,239, \$9,570 and \$8,757 respectively. The full amount has been contributed for 2005, 2004 and 2003.

Note 9 - Postemployment Benefits

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

Morgan Township
Scioto County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 9 - Postemployment Benefits (continued)

Ohio Public Employees Retirement System (continued)

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$210,421. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

Note 10 – Debt

A summary of the note transactions for the year ended December 31, 2004, follows:

	Interest Rate	Balance December 31, 2003	Additions	Reductions	Balance December 31, 2004
Fire Truck Note – Bank One	6.00%	\$79,110	\$0	\$9,515	\$69,595
Equipment Bond	5.33%	\$5,123	\$0	\$1165	\$3,958
Backhoe Note	8.00%	\$3,264	\$0	\$3,264	\$0
Brush Mower	4.88%	\$0	\$5,000	\$0	\$5,000
OPWC Loan	0.00%	\$19,903	\$0	\$3,062	\$16,841
		<u>\$107,400</u>	<u>\$5,000</u>	<u>\$17,006</u>	<u>\$95,394</u>

A summary of the note transactions for the year ended December 31, 2005, follows:

	Interest Rate	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005
Fire Truck Note – Bank One	6.00%	\$69,595	\$0	\$9,900	\$59,695
Equipment Bond	5.33%	\$3,958	\$0	\$1,177	\$2,781
Brush Mower	4.88%	\$5,000	\$0	\$1,566	\$3,434
OPWC Loan	0.00%	\$16,841	\$0	\$3,062	\$13,779
Fire Truck Note – Republic First National	4.79%	\$0	\$122,900	\$0	\$122,900
		<u>\$95,394</u>	<u>\$122,900</u>	<u>\$15,705</u>	<u>\$202,589</u>

Morgan Township
 Scioto County, Ohio
 Notes to the Financial Statements
 For the Years Ended December 31, 2005 and 2004

Note 10 – Debt (continued)

On March 12, 1999 the Township took out a note with Firststar Bank, the original amount was \$14,075 to purchase a backhoe. Note payments were made from the General Fund.

On March 26, 2001, the Township issued \$8,000 of general obligation bonds to finance the purchase of equipment (a used dump truck). Bond payments were made from the Road and Bridge Fund.

On March 30, 2001 the Township took out a note with Bank One, for \$96,389 to finance the purchase of a new fire truck. The notes are collateralized solely by the Township’s taxing authority. Note payments were made from the Special Fire and Equipment Fund.

On July 1, 2002 the Township received a loan from Ohio Public Works Commission for resurfacing of roads. The original loan was for \$24,496. Loan payments were made from the Gasoline Tax Fund.

On May 12, 2004 the township took out a note with US Bank, for \$5,000 to finance the purchase of a brush mower. Note payments were made from the Gasoline Tax Fund.

On February 7, 2005 the Township took out a note with Republic First National, for \$122,900 to finance a used fire truck. Loan payments were made from the Special Fire and Equipment Fund.

The following is a summary of the Township’s future annual debt service requirements:

Year	Note Debt	
	Principal	Interest
2006	\$26,271	\$9,855
2007	\$26,305	\$8,533
2008	\$27,556	\$7,282
2009	\$27,031	\$5,961
2010	\$26,801	\$4,660
2011 – 2015	<u>\$68,625</u>	<u>\$10,168</u>
Totals	\$202,589	\$46,459

The Ohio Revised Code provides that net general obligation debt of the Township, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Township. The Revised Code further provides that total voted and unvoted net debt of the Township less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2005, were an overall debt margin of \$1,293,769 and an unvoted debt margin of \$16,626.

Note 11 – Accountability and Compliance

Contrary to ORC Section 5705.41(D), the Township did not consistently encumber funds prior to their obligation for expenditure. In 2004, appropriations exceeded estimated resources in the Gasoline Tax Fund and the Road and Bridge Fund, contrary to ORC Section 5705.39. Also, contrary to ORC Section 5705.36(A)(4), the Township’s appropriations exceeded available resources in the Motor Vehicle License Tax, Gasoline Tax, Permissive License Tax and Miscellaneous Special Revenue Funds for both 2005 and 2004.

BALESTRA, HARR & SCHERER, CPAs, INC.

528 South West Street, P.O. Box 687
Piketon, Ohio 45661

Telephone (740) 289-4131
Fax (740) 289-3639
www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Morgan Township, Scioto County, Ohio (the Township), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated June 30, 2006 wherein we noted the Township prepared its financial statements on a basis of accounting other than accounting principles generally in the United States of America and revised its financial presentation to be comparable to the requirement of Governmental Accounting Standard Board Statements No. 34, 37, and 38 and implemented GASB Statement 40. 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.

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 auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion 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 caused by error or fraud 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.

Compliance and Other Matters

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 grant agreements, 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 audits 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 2005-001 through 2005-003.

We also noted certain matters that we reported to management of the Township in a separate letter dated June 30, 2006.

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



Balestra, Harr & Scherer, CPAs, Inc.
June 30, 2006

Morgan Township
Scioto County, Ohio

Schedule of Findings
For the Years Ended December 31, 2005 and 2004

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

FINDING NUMBER 2005-001

Noncompliance Citation

Ohio Rev. Code, Section 5705.41(D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two exceptions to the above requirements:

- A. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$3,000, the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Board, if such expenditure is otherwise valid.

Then and Now Certificates were completed for all disbursements. However they were not approved by the Board of Township Trustees by resolution. As a result, several of the disbursements tested were not properly certified. Not certifying funds prior to a purchase commitment may cause the Township to obligate money it does not have.

No orders involving the expenditure of money should be made unless the clerk has issued a purchase order or blanket certificate to certify that the amount required has been lawfully appropriated and is in the treasury or in the process of collection. Then and Now Certificates should be used as the exception rather than the rule. Furthermore, the Trustees should approve all Then and Now certificates greater than \$3000, by resolution.

FINDING NUMBER 2005-002

Noncompliance Citation

Ohio Rev. Code Section 5705.39 requires appropriations from each fund to be limited to total estimated resources.

During the year ended December 31, 2004, appropriations exceeded estimated resources in the Gasoline Tax Fund by \$1,680 and the Road and Bridge Fund by \$4,947.

The Board of Trustees should review their estimated resources prior to making appropriations and limit those appropriations to the amount of the estimated resources.

Morgan Township
Scioto County, Ohio

Schedule of Findings
For the Years Ended December 31, 2005 and 2004

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

FINDING NUMBER 2005-003

Noncompliance Citation

Ohio Revised Code § 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

Ohio Rev. Code 5705.36(A)(4) requires a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

For both 2004 and 2005, actual receipts were less than estimated receipts in the Motor Vehicle License Tax, Gasoline Tax, Permissive License Tax and Miscellaneous Special Revenue Funds and the Township did not obtain a reduced amended certificate, even though the appropriations were in excess of the resources available.

The Township Clerk should monitor estimated versus actual revenues throughout the year and amend the estimated resources as necessary.

Morgan Township
Scioto County, Ohio

Schedule of Prior Audit Findings
For the Years Ended December 31, 2005 and 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-001	Ohio Rev. Code Section 5705.41(D) – Failure to Certify Funds	No	We have reissued as finding 2005-001.
2003-002	Ohio Rev. Code Section 5705.39 – Appropriations limited to total estimated resources	No	We have reissued as finding 2005-002.
2003-003	Ohio Rev. Code Section 5705.41 (B) – Expending money unless it has been appropriated.	Yes	
2003-004	Ohio Rev. Code Section 505.24 – Payment of Trustee’s Compensation	Yes	

**MORGAN TOWNSHIP
SCIOTO COUNTY**

**CORRECTIVE ACTION PLAN
FISCAL YEAR END 2005 AND 2004**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person(s)
2005-001	The Clerk will review the requirements for certification of funds and inform the Trustees that the Township will begin utilizing purchase orders.	August 1, 2006	Township Clerk
2005-002	The Clerk will monitor appropriations to ensure the Trustees do not make appropriations in excess of estimated resources.	December 31, 2006	Township Clerk
2005-003	The Clerk will monitor actual receipts compared to estimates and secure amended certificates when necessary.	August 1, 2006	Township Clerk



**Auditor of State
Betty Montgomery**

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 19, 2006**