



**MORGAN TOWNSHIP
GALLIA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1998-1997



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Morgan Township
Gallia County
4240 Morgan Lane
Vinton, Ohio 45686

To the Board of Trustees:

We were engaged to audit the accompanying financial statements of Morgan Township, Gallia County, as of and for the years ended December 31, 1998 and December 31, 1997. These financial statements are the responsibility of the Township's management.

The Township did not provide sufficient records, documents, and evidential matter to support the accuracy, validity, existence, and completeness of recorded receipts and disbursements of the Township, nor were we able to satisfy ourselves as to those financial activities by other auditing procedures. Because of the lack of supporting records, the scope of our work was not sufficient to express, and we do not express, an opinion on these financial statements.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2000 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

Jim Petro
Auditor of State

February 25, 2000

Morgan Township

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

	<u>Governmental Fund Types</u>			<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u>
Cash Receipts:				
Local Taxes	\$8,035	\$6,337		\$14,372
Charges for Services	9,577			9,577
Intergovernmental	11,004	60,494		71,498
Interest	291	427	\$210	928
Miscellaneous	3,514			3,514
Total Cash Receipts	32,421	67,258	210	99,889
Cash Disbursements:				
Current:				
General Government	43,929			43,929
Public Safety		3,618		3,618
Public Works		55,078	512	55,590
Miscellaneous	232			232
Debt Service:				
Note Principal Payment		2,216		2,216
Interest and Fiscal Charges		396		396
Total Cash Disbursements	44,161	61,308	512	105,981
Excess of Cash Receipts Over/(Under) Cash Disbursements	(11,740)	5,950	(302)	(6,092)
Fund Cash Balances, January 1	3,162	26,772	9,525	39,459
Fund Cash Balances, December 31	<u>(\$8,578)</u>	<u>\$32,722</u>	<u>\$9,223</u>	<u>\$33,367</u>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1997**

	<u>Governmental Fund Types</u>			<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u>
Cash Receipts:				
Local Taxes	\$7,006	\$5,380		\$12,386
Charges for Services	9,371			9,371
Intergovernmental	10,110	64,272		74,382
Interest	337	584	\$234	1,155
Miscellaneous	8,189			8,189
Total Cash Receipts	35,013	70,236	234	105,483
Cash Disbursements:				
Current:				
General Government	38,347		641	38,988
Public Safety		4,920		4,920
Public Works		58,302	438	58,740
Miscellaneous	400	32		432
Debt Service:				
Note Principal Payment		2,080		2,080
Interest and Fiscal Charges		468		468
Total Cash Disbursements	38,747	65,802	1,079	105,628
Total Cash Receipts Over/(Under) Cash Disbursements	(3,734)	4,434	(845)	(145)
Other Financing Receipts/(Disbursements):				
Other Sources	2,296			2,296
Total Other Financing Receipts/(Disbursements)	2,296	0	0	2,296
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(1,438)	4,434	(845)	2,151
Fund Cash Balances, January 1	4,600	22,338	10,370	37,308
Fund Cash Balances, December 31	\$3,162	\$26,772	\$9,525	\$39,459

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998-1997**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved.)

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

The Township did not have any investments during the audit period.

D. Fund Accounting

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

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Motor Vehicle License Tax Fund - This fund receives motor vehicle tax money for constructing, maintaining and repairing Township roads.

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

Fire District Fund - This fund receives tax revenue and other intergovernmental revenue for maintaining fire protection for the citizens of the Township.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998-1997
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Capital Project Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following significant Capital Project Fund:

Federal Emergency Management Agency Fund - This fund receives federal money for damages due to flooding.

E. Budgetary Process

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

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 1998 and 1997 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH

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

	<u>1998</u>	<u>1997</u>
Demand Deposits	<u>\$33,367</u>	<u>\$39,459</u>

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998-1997
(Continued)

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1998, and December 31, 1997 was as follows:

1998 Budgeted vs. Actual Receipts

Fund Type	Budgeted	Actual	Variance
General	\$39,305	\$32,421	(\$6,884)
Special Revenue	78,548	67,258	(11,290)
Capital Projects	18,200	210	(17,990)
Total	<u>\$136,053</u>	<u>\$99,889</u>	<u>(\$36,164)</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$44,872	\$44,161	\$711
Special Revenue	77,273	61,308	15,965
Capital Projects	0	512	(512)
Total	<u>\$122,145</u>	<u>\$105,981</u>	<u>\$16,164</u>

1997 Budgeted vs. Actual Receipts

Fund Type	Budgeted	Actual	Variance
General	\$38,500	\$35,013	(\$3,487)
Special Revenue	80,200	70,236	(9,964)
Capital Projects	0	234	234
Total	<u>\$118,700</u>	<u>\$105,483</u>	<u>(\$13,217)</u>

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998-1997
(Continued)

3. BUDGETARY ACTIVITY (Continued)

1997 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$44,872	\$38,747	\$6,125
Special Revenue	77,273	65,802	11,471
Capital Projects	0	1,079	(1,079)
Total	\$122,145	\$105,628	\$16,517

4. PROPERTY TAX

Real Property Taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

5. DEBT

Debt outstanding at December 31, 1998 was as follows:

	Principal	Interest
Road Grader Note	<u>\$4,201</u>	6%

The People's Bank note relates to the purchase of a road grader. This note will be repaid in monthly installments of \$211, including interest over four years.

Year Ending December 31	Road Grader Note
1999	\$2,536
2000	<u>1,902</u>
Total	<u>\$4,438</u>

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998-1997
(Continued)

6. RETIREMENT SYSTEM

The employees of the Township were covered by the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple employer plan. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1998 and 1997, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1998.

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

8. ACCOUNTABILITY

At December 31, 1998, the General Fund had a deficit balance of \$8,578. This occurred as a result of the Township's improper posting of Tax Levy receipts for the Fire Fund, Gas Tax receipts, and Motor Vehicle License Tax receipts to the General Fund. As of December 31, 1999, the Township's General Fund had a deficit balance of \$7,136. The Township's management plans to post receipts to the proper funds as required. In addition, all expenditures will be reviewed to determine whether they can be paid from the Special Revenue Funds in an effort to decrease the expenditures of the General Fund and eliminate the negative fund balance of the General Fund.

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

Morgan Township
Gallia County
4240 Morgan Lane
Vinton, Ohio 45686

To the Board of Trustees:

We were engaged to audit the financial statements of Morgan Township, Gallia County, Ohio, (the Township), as of and for the years ended December 31, 1998, and December 31, 1997, and have issued our report thereon dated February 25, 2000, wherein we disclaimed an opinion for a lack of evidential matter supporting recorded receipts and disbursements.

Compliance

As part of our engagement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 1998-40727-001, 1998-40727-002, 1998-40727-003, 1998-40727-004, and 1998-40727-005. We have also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated February 25, 2000.

Internal Control Over Financial Reporting

In planning and performing our engagement, we considered the Township's internal control over financial reporting in order to determine our procedures and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that in our judgment, could adversely affect the Township' ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 1998-40727-006 and 1998 40727-007.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 1998-40727-006 and 1998-40727-007 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated February 25, 2000.

Morgan Township

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

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

Jim Petro
Auditor of State

February 25, 2000

**SCHEDULE OF FINDINGS
DECEMBER 31, 1998 AND 1997**

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

FINDING NUMBER 1998-40727-001

Noncompliance Citation

Ohio Rev. Code Section 5705.10 states in part that all revenue derived from a special levy is to be credited to a special fund for the purpose for which the levy was made. It also requires that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.

During the testing of receipts it was noted the tax receipts for the Fire Levy were paid into the General Fund, instead of the Fire Fund as required. It was also noted that receipts from the Motor Vehicle License Tax and the Gasoline Tax Funds were posted to the incorrect Funds on some occasions. The financial statements present the information after the necessary adjustments had been made. The posting of the adjusting entries to the financial statements resulted in a negative fund balance for the General Fund in the amount of \$8,578 at December 31, 1998.

We recommend that the receipts from the Fire Levy be posted to the Fire Fund. We further recommend that the receipts from motor vehicle license taxes and gasoline taxes be posted to the Motor Vehicle License Tax Fund and the Gasoline Tax Fund, respectively.

FINDING NUMBER 1998-40727-002

Finding for Recovery

According to Auditor of State Bulletin 96-002, under Ohio Rev. Code Section 505.60 a township may reimburse trustees, the clerk, and employees for their out-of-pocket group insurance premiums for insurance obtained elsewhere provided certain conditions are met. The conditions and procedures are as follows:

First, if a township elects to reimburse for out-of-pocket group insurance premiums rather than procuring a group plan, it must do so by a resolution. The resolution must specifically state that the township has chosen not to procure a group plan and is opting for reimbursement instead.

Second, the resolution must provide for a maximum amount per person per month or per year up to which the township will pay.

Third, the resolution must list the types of coverages for which the township will reimburse and offer all trustees, the clerk, and employees reimbursement for those coverages. Coverages other than the types listed in Ohio Rev. Code Section 505.60 cannot be reimbursed by the township.

The Morgan Township trustees passed a resolution to reimburse Ward Smith, Trustee, the cost of his insurance in the amount of \$211.80 while he was on strike from his other employment. The resolution was made by the Trustees on the same day that the check for the reimbursement was written. Since the resolution was passed during the term of Mr. Smith, the reimbursement constitutes an in-term increase in compensation. In-term increases in compensation violate Ohio Const. Art. II, Section 20.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Ward Smith, Trustee, and Western Surety Company, jointly and severally, in the amount of two hundred eleven dollars and eighty cents (\$211.80) and in favor of the General Fund of Morgan Township.

This finding was repaid by Mr. Smith in February, 2000.

Morgan Township

**SCHEDULE OF FINDINGS
DECEMBER 31, 1998 AND 1997
(Continued)**

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

FINDING NUMBER 1998-40727-003

Finding for Recovery

Ohio Rev. Code Section 507.09 (A) (3) states that in townships having a budget of more than one hundred thousand dollars but not more than two hundred fifty thousand dollars, the compensation is to be seven thousand seven hundred dollars for the Clerk as amended to become effective May 8, 1996. Melissa Russel was the Township Clerk for 1997 and the first five months of 1998. The statutory salary was \$7,000.00 for the Township Clerk for 1997 based on the estimated resources from the Tax Budget. Melissa Russel received compensation in the amount of \$7,044.87 during 1997 while she should have received \$7,000.00. This resulted in an overpayment for 1997 in the amount of \$44.87.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Melissa Russel, former Morgan Township Clerk, and Western Surety Company, jointly and severally, in the amount of forty-four dollars and eighty-seven cents (\$44.87) and in favor of the General Fund of Morgan Township.

FINDING NUMBER 1998-40727-004

Finding for Recovery

Ohio Rev. Code Section 505.24 (B) (3) states that in townships having a budget of more than one hundred thousand dollars but not more than two hundred fifty thousand dollars, the compensation is to be twenty-eight dollars and fifty cents per day for not more than 200 days for each of the Trustees as amended to become effective May 8, 1996. Clarence R. Hash, Township Trustee, was serving a term from January 1, 1994 to December 31, 1997, and was reelected in 1997 for a term from January 1, 1998 to December 31, 2002. Further, the Township's estimated resources for 1997 from the Tax Budget indicated that the appropriate rate of pay for the Trustees was \$26 per day for 1997. The estimated resources for 1998 from the Tax Budget indicated that the appropriate level of pay for Mr. Hash during 1998 was \$28.50 per day. Therefore, the new compensation rates did not apply to Mr. Hash until the beginning of his new term at January 1, 1998. During 1997, Mr. Hash's compensation was \$5,214.67 while it should have been \$5,200.00, resulting in an overpayment of \$14.67 in 1997. During 1998, Mr. Hash's compensation was \$5,485.50 while it should have been \$5,329.50, resulting in an overpayment in the amount of \$156.00. The total overpayment during the audit period for Clarence R. Hash was \$170.67.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Clarence R. Hash, Trustee, and Western Surety Company, jointly and severally, in the amount of one hundred seventy dollars and sixty-seven cents (\$170.67) and in favor of the General Fund of Morgan Township.

This finding was repaid by Mr. Hash in February, 2000.

FINDING NUMBER 1998-40727-005

Noncompliance Citation

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

Morgan Township

**SCHEDULE OF FINDINGS
DECEMBER 31, 1998 AND 1997
(Continued)**

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

FINDING NUMBER 1998-40727-005 (Continued)

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

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$100 for counties, or less than \$1,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority. [Section 5705.41(D)].

Continuing Contracts to be Performed in Whole or in Part in an Ensuing Fiscal Year - Where a continuing contract is to be performed in whole or in part in an ensuing fiscal year, only the amount required to meet those amounts in the fiscal year in which the contract is made need be certified. (1987 Op. Atty. Gen. 87-069).

Per Unit Contracts - Where contracts are entered into on a per unit basis, only the amount estimated to become due in the current fiscal year need be certified. (Op. Atty. Gen. 87-069).

Contract or Lease Running Beyond the Termination of the Fiscal Year Made - Pursuant to Section 5705.44, Ohio Rev. Code, where a contract or lease runs beyond the termination of the fiscal year in which it is made, only the amount of the obligation maturing in the current fiscal year need be certified. The remaining amount is a fixed charge required to be provided for in the subsequent fiscal year's appropriations.

County Commissioner Authorization - A board of county commissioners, by resolution, may exempt purchases of \$750 or less from the prior certification requirement. The resolution must specify the dollar limit applicable to such purchases and whether it applies to all purchases, is limited to certain classes of purchases, or is limited to specific purchases. The board must notify the county auditor in writing of its intention to adopt such a resolution and the scope of the resolution. The county auditor has 15 days to comment on the resolution before it may be adopted by the board. Where such a resolution has been adopted, any person authorized to make purchases, within 3 business days of making purchase exempted under the resolution, must file with the county auditor a written document stating the purpose, amount and date of the purchase, and the name of the vendor.

Proper documentation was not maintained for all of the Township's disbursements. In addition, many of the Township's disbursements were not accompanied by the required clerk's certificate. This could result in unauthorized disbursements by the Township.

We recommend that all disbursements be accompanied by a properly completed certificate of the fiscal officer as required by Ohio Rev. Code Section 5705.41 (D). We further recommend the use of purchase orders and vouchers for each disbursements. These documents contain the required certificate, and help to ensure that the funds are encumbered prior to the disbursement.

**SCHEDULE OF FINDINGS
DECEMBER 31, 1998 AND 1997
(Continued)**

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

FINDING NUMBER 1998-40727-006

Material Weakness

Morgan Township lacked the necessary payroll records. No payroll ledgers were maintained for 1997. The 1998 payroll information was not maintained throughout the year. The Clerk did not maintain copies of the employees' W-2's for 1997. As a result, the Township did not maintain the necessary records to effectively monitor the payroll disbursements of the Township. Without proper documentation, the Township could report incorrect information to the IRS, PERS, etc.

We recommend that the Clerk maintain payroll ledgers throughout the year to help monitor the payroll disbursements of the Township. The ledgers should record all withholding amounts and allocation of payments to funds. We further recommend the Clerk maintain a copy of the W-2 for each of the Township's employees.

FINDING NUMBER 1998-40727-007

Material Weakness

Proper documentation was not maintained for the receipts of Morgan Township. As a result, many of the receipts were improperly posted to the incorrect funds for 1997. Numerous reclassifications had to be made in order to present the information. The reclassifications were made based on information provided by the Gallia County Auditor's Office. However, there were some receipts for which there was no support. These receipts were posted to the Other Receipts line item in the General Fund. As a result, sufficient assurance could not be gained to support the ending fund balances for 1997 or 1998.

We recommend that Morgan Township obtain and maintain appropriate supporting documentation for all receipts of the Township to provide the necessary assurance that the receipts are properly posted in the records of the Township. In addition, the Township should utilize prenumbered pay-in orders for all receipts.

CORRECTIVE ACTION PLAN
December 31, 1998 and 1997

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
1998-40727-001	Receipts for specific funds for special levies will be posted as indicated on the settlement sheets from the County Auditor's Office.	12/31/2000	Paula Justus, Township Clerk
1998-40727-002	Compensation to elected officials will be made in accordance with the Ohio Revised Code.	12/31/2000	Paula Justus, Township Clerk
1998-40727-003	Ohio Revised Code will be consulted prior to approving payment for insurance or other benefits in the future.	12/31/2000	Paula Justus, Township Clerk
1998-40727-004	Compensation to elected officials will be made in accordance with the Ohio Revised Code.	12/31/2000	Paula Justus, Township Clerk
1998-40727-005	Supporting Documentation will be maintained for all disbursements; and the Clerk's certification will be attached thereto.	12/31/2000	Paula Justus, Township Clerk
1998-40727-006	Payroll ledgers will be maintained throughout the year.	12/31/2000	Paula Justus, Township Clerk
1998-40727-007	Supporting Documentation will be maintained for all receipts of the Township.	12/31/2000	Paula Justus, Township Clerk



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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MORGAN TOWNSHIP

GALLIA 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
APRIL 18, 2000**