



Dave Yost • Auditor of State

MORGAN TOWNSHIP
GALLIA COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Morgan Township
Gallia County
4240 Morgan Lane
Vinton, Ohio 45686

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Morgan Township, Gallia County, Ohio (the Township), as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Morgan Township, Gallia County, Ohio as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2011 the Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

As discussed in Note 9 to the financial statements, the Township had General Fund deficit cash balances as of December 31, 2012 and December 31, 2011, which indicated the Township was having financial difficulty. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Further, Notes 6 and 11 to the financial statements indicate the debt, liabilities, and outstanding amounts owed by the Township.

As discussed in Note 10 to the financial statements, the January 1, 2011 General Fund balance was restated from the amount previously reported.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2013, 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 internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State

Columbus, Ohio

November 14, 2013

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**MORGAN TOWNSHIP
GALLIA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Totals (Memorandum only)
Cash Receipts			
Property and Other Local Taxes	\$15,814	\$11,483	\$27,297
Licenses, Permits and Fees	6,686		6,686
Intergovernmental	13,047	104,122	117,169
Earnings on Investments	1	2	3
Miscellaneous	381	180	561
<i>Total Cash Receipts</i>	<u>35,929</u>	<u>115,787</u>	<u>151,716</u>
Cash Disbursements			
Current:			
General Government	34,393	15,258	49,651
Public Safety		10,455	10,455
Public Works	4,296	63,772	68,068
Other	192	135	327
Debt Service:			
Principal Retirement		12,897	12,897
Interest and Fiscal Charges		1,821	1,821
<i>Total Cash Disbursements</i>	<u>38,881</u>	<u>104,338</u>	<u>143,219</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(2,952)</u>	<u>11,449</u>	<u>8,497</u>
<i>Fund Cash Balances, January 1</i>	<u>(21,480)</u>	<u>13,694</u>	<u>(7,786)</u>
Fund Cash Balances, December 31			
Restricted		43,301	43,301
Unassigned (Deficit)	<u>(24,432)</u>	<u>(18,158)</u>	<u>(42,590)</u>
<i>Fund Cash Balances, December 31</i>	<u><u>(\$24,432)</u></u>	<u><u>\$25,143</u></u>	<u><u>\$711</u></u>

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

**MORGAN TOWNSHIP
GALLIA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Totals (Memorandum only)
Cash Receipts			
Property and Other Local Taxes	\$12,984	\$11,351	\$24,335
Licenses, Permits and Fees	8,290		8,290
Intergovernmental	18,486	160,265	178,751
Earnings on Investments	7	13	20
Miscellaneous	53		53
<i>Total Cash Receipts</i>	<u>39,820</u>	<u>171,629</u>	<u>211,449</u>
Cash Disbursements			
Current:			
General Government	34,018	13,705	47,723
Public Safety		6,211	6,211
Public Works	6,728	164,534	171,262
Other	553	262	815
Debt Service:			
Principal Retirement		12,367	12,367
Interest and Fiscal Charges		2,351	2,351
<i>Total Cash Disbursements</i>	<u>41,299</u>	<u>199,430</u>	<u>240,729</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,479)</u>	<u>(27,801)</u>	<u>(29,280)</u>
<i>Fund Cash Balances, January 1- Restated (Note 10)</i>	<u>(20,001)</u>	<u>41,495</u>	<u>21,494</u>
Fund Cash Balances, December 31			
Nonspendable			
Restricted		41,713	41,713
Unassigned (Deficit)	(21,480)	(28,019)	(49,499)
<i>Fund Cash Balances, December 31</i>	<u>(\$21,480)</u>	<u>\$13,694</u>	<u>(\$7,786)</u>

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

**MORGAN TOWNSHIP
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Morgan Township, Gallia County (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with Springfield Township Fire Department to provide fire services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 8 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits

The Township had one primary, interest bearing checking account during the audit period.

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**MORGAN TOWNSHIP
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Fund:

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads. This fund was also used to account for an on-behalf-of Community Development Block Grant through Gallia County for the Chamberlain Road Paving Project.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and re-appropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2012 and 2011 budgetary activity appears in Note 4.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**MORGAN TOWNSHIP
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

The Board of Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Board of Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Board of Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

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

**MORGAN TOWNSHIP
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

2. Change in Accounting Principle

During 2011, the Township implemented Governmental Accounting Standard Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 had no effect on fund balances previously reported.

3. Equity in Pooled Deposits

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

	2012	2011
Demand deposits	\$711	(\$7,786)

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

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$48,313	\$35,929	(\$12,384)
Special Revenue	116,159	115,787	(372)
Total	\$164,472	\$151,716	(\$12,756)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$20,705	\$38,881	(\$18,176)
Special Revenue	143,546	104,338	39,208
Total	\$164,251	\$143,219	\$21,032

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$58,040	\$39,820	(\$18,220)
Special Revenue	112,071	171,629	59,558
Total	\$170,111	\$211,449	\$41,338

**MORGAN TOWNSHIP
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

4. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$55,126	\$41,299	\$13,827
Special Revenue	122,555	199,430	(76,875)
Total	\$177,681	\$240,729	(\$63,048)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the following funds at December 31, 2012: General Fund \$18,176 and Gasoline Tax Fund \$1,646; and in the following funds at December 31, 2011: Motor Vehicle License Tax Fund \$3,366 and Gasoline Tax Fund \$87,344, which does not include on-behalf-of activity relating to the Chamberlain Road Paving Project.

Also contrary to Ohio law, at December 31, 2012 and 2011, the General Fund had a cash deficit balance of \$24,432 and \$21,480, respectively. Further, the Gasoline Tax Fund had a cash deficit balance of \$18,158 at December 31, 2012 and \$28,019 at December 31, 2011. In addition, the Board of Trustees did not request a reduced Certificate of Estimated Resources despite appropriations exceeding actual receipts plus the unencumbered fund balance in the General Fund, Fire Levy Fund, and Gasoline Tax Fund in 2012 and in the General Fund in 2011.

5. Property Tax

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

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

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

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

6. Debt

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
Truck/Equipment Loan	\$29,192	4.75%
Total	\$29,192	

**MORGAN TOWNSHIP
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. Debt (Continued)

The Township obtained a bank loan in the amount of \$65,285 to finance the purchase of an F-450 Dump Truck with Snow Blades. The loan was collateralized by property financed.

This arrangement is not in compliance with Ohio Rev. Code Section 505.262(A) which does not grant the authority of the Township to grant a security interest in the property purchased by the installment contract.

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

Year ending December 31:	<u>Truck/ Equipment Loan</u>
2013	\$14,718
2014	14,718
2015	1,226
Total	<u><u>\$30,662</u></u>

7. Retirement System

The Township's employees and officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2012.

8. Risk Management

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2012, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

**MORGAN TOWNSHIP
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

8. Risk Management (Continued)

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available):

	<u>2012</u>	<u>2011</u>
Assets	\$34,771,270	\$35,086,165
Liabilities	(9,355,082)	(9,718,792)
Net Position	\$25,416,188	\$25,367,373

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.96 and \$8.6 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

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

<u>Contributions to OTARMA</u>	
<u>2012</u>	<u>2011</u>
\$2,163	\$2,163

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

**MORGAN TOWNSHIP
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

9. Deficit Fund Balance

At December 31, 2012 and December 31, 2011, the Township had deficit fund cash balances of (\$24,432) and (\$21,480), respectively, in the General Fund. The Township has attempted to reduce the negative fund balances through limiting expenditures and having the Board of Trustees perform more of the minor road work rather than hiring additional employees or contracting. The Board of Trustees have approved 2013 appropriation levels for all funds of \$130,443 compared to the County Budget Commission approved Certificate of Estimated Resources which shows a total estimated resources amount of \$130,443. This indicates the Board of Trustees have adopted a balanced budget for 2013.

10. Restatement of Balances

The January 1, 2011 General Fund balance was restated due to checks relating to prior periods being voided which affected the fund balance as follows:

Fund	December 31, 2010 Audited Balance	January 1, 2011 Restated Balance	Restated Amount
General Fund	(\$31,635)	(\$20,001)	\$11,634

11. Liabilities and Outstanding Amounts Owed

During 2011, the Township received notice that they owed the Internal Revenue Service \$24,500 in back taxes for failure to remit taxes withheld, Medicare, and resulting penalties and interest. Also, the Internal Revenue Service has filed a lien against the property of Morgan Township. The amount outstanding as of December 31, 2012 was \$25,402.

During 2011, the Township was given notice that they owed the State \$21,200 due to receiving another Township's receipts for six years. A payment plan was established. The amount outstanding as of December 31, 2012 was \$13,151.

The Township has outstanding audit costs relating to the 2010-2009 financial audit performed by the Auditor of State's Office. As of December 31, 2012, the Township owed \$13,723 to the Treasurer of State for these audit costs. As of September 13, 2013, the Township has a total balance of \$17,341 of which \$10,597 is past due longer than four months.

The Township entered into a contract for fire protection services with Springfield Township, Gallia County in 2012 and 2011. The Township failed to pay \$2,240 and \$1,486 as required by the contracts to Springfield Township in 2011 and 2012 respectively. As a result, the Township has an outstanding liability to the Springfield Township Fire Department at December 31, 2012 of \$3,726.

12. Contingent Liabilities

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



Dave Yost • Auditor of State

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

Morgan Township
Gallia County
4240 Morgan Lane
Vinton, Ohio 45686

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Morgan Township, Gallia County, Ohio (the Township), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated November 14, 2013 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit and adopted the provisions of Governmental Accounting Standards Board Statement No. 54. We also indicated the Township was having financial difficulty and the January 1, 2011 General Fund balance was restated from the amount previously reported.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Findings 2012-001, 2012-004, 2012-006, 2012-007, 2012-009, 2012-010, and 2012-011, described in the accompanying Schedule of Findings, to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2012-001 through 2012-008 and 2012-010 through 2012-011.

Entity's Response to Findings

The Township's response to the Findings identified in our audit is described in the accompanying Schedule of Findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

November 14, 2013

**MORGAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

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

FINDING NUMBER 2012-001

Noncompliance Citation and Material Weakness

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

The General Fund had a balance of (\$24,432) at December 31, 2012 and a balance of (\$21,480) at December 31, 2011. The Gasoline Tax Fund had a balance of (\$18,158) at December 31, 2012 and a balance of (\$28,019) at December 31, 2011.

A deficit cash fund balance indicates that money from one fund was used to cover the expenses of another fund. Further, this situation has resulted in the Township experiencing financial difficulty.

We recommend that money paid into a fund be used only for the purpose for which such fund was established. Expenditures should not be permitted from funds with no balance or with a negative balance. Steps should be identified and implemented that would help the Township reduce spending, increase revenues, or both.

FINDING NUMBER 2012-002

Noncompliance Citation

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

The Board of Trustees failed to request a reduced Certificate of Estimated Resources in accordance with realistic receipt expectations, which would have resulted in available resources being below current level of appropriations as follows:

Fund	Year	Unencumbered Fund Balance at January 1	Actual Receipts	Current Year Appropriations	Variance
General	2011	(\$31,635)	\$39,820	\$55,126	(\$46,941)
General	2012	(\$21,108)	\$35,929	\$20,705	(\$5,884)
Gasoline Tax	2012	(\$28,391)	\$85,266	\$73,759	(\$16,884)
Fire Levy Fund	2012	\$29,750	\$12,479	\$51,721	(\$9,492)

Failing to reduce the estimated resources and correspondingly, the appropriations, when it is determined actual resources will be significantly less than originally anticipated could lead to overspending and deficit fund balances.

**MORGAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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

FINDING NUMBER 2012-002 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.36(A)(4) (Continued)

We recommend the Township monitor budget and actual receipts and file a reduced certificate of estimated resources and correspondingly reduce appropriations when it is determined the actual resources will fall below the current appropriations.

FINDING NUMBER 2012-003

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

Expenditures exceed appropriations as follows:

Year End Date	Fund	Budgetary Expenditures	Approved Appropriations	Amount by which Expenditures Exceed Appropriations
December 31, 2011	Motor Vehicle License Tax	\$19,252	\$15,886	(\$3,366)
December 31, 2011	Gasoline Tax	\$173,420	\$86,076	(\$87,344)
December 31, 2012	General Fund	\$38,881	\$20,705	(\$18,176)
December 31, 2012	Gasoline Tax	\$75,405	\$73,759	(\$1,646)

Expenditures exceeding appropriations can result in overspending available resources and deficit fund balances.

We recommend the Fiscal Officer not certify the availability of funds or approve payment requests exceeding appropriations. The Fiscal Officer may request the Board of Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources if necessary.

**MORGAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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

FINDING NUMBER 2012-004

Noncompliance Citation and Material Weakness

Ohio Rev. Code Section 505.24(C) sets forth the method by which Township Trustee's compensation should be allocated. This section is amplified by Ohio Attorney General (OAG) Opinion No. 2004-036. This section requires that compensation of a Township Trustee must be paid from the Township General Fund or from such other restricted Township funds, in such proportions based on the amount of time spent on matters related to the services rendered. In addition, OAG Opinion 2004-036 indicates Township Trustees should establish administrative procedures to document the proportionate amount of Township Trustees' salaries chargeable to other township funds based on the portion of time spent on matters related to the services rendered. There is no one method for documenting time and the kinds of services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping as long as the Township Trustees document all time spent on Township business and the types of service(s) performed, in a manner similar to Township Trustees paid per diem compensation. If Township Trustees do not document their time, then no part of salaries may be paid from these other funds. The Attorney General Opinion was issued prior to the certification requirements of Ohio Rev. Code Section 505.24, effective September 29, 2011, however, it is still applicable to audit periods prior to September 2011. The Auditor of State issued Bulletin 2011-007 on October 27, 2011 explaining these legislative changes and the impact of these changes on townships. The Auditor of State also issued Bulletin 2013-002 on June 7, 2013 explaining that the allocation of 100 percent of an official's compensation to funds other than the general fund is not permitted under Ohio law. House Bill 153 modified Ohio Rev. Code Section 505.24 to require Township Trustees paid by the annual salary method, that compensate from funds other than the general fund, to certify the percentage of the time spent working on matters that are to be paid from funds other than the general fund. Each Township Trustee that is compensated from funds other than the general fund must complete the certification prior to receiving his/her pay for that pay period. The certification must be done individually, but is not required to be notarized. The certification is not required to be a time log. Rather, all that is required is a statement detailing the percentage of time that the Township Trustee spent during that pay period providing services related to each fund to be charged.

Ohio Rev. Code Section 507.09 was modified by HB 153 to now include specific authority to compensate Township Fiscal Officers from the general fund or from other township funds based on the proportion of time the Township Fiscal Officer spends providing services related to each fund. This statutory change also requires a Township Fiscal Officer to document the amount of time spent providing services related to each fund by certification. A sample certification is attached to Auditor of State Bulletin 2011-007. If 100% of the compensation of the Township Trustee / Fiscal Officer is to be paid from the General Fund, no certification is required.

During 2012 and 2011, the Township Trustees maintained time-logs as support for percentages of salary charged to restricted funds rather than having signed certifications. However, these time-logs failed to agree to the actual charges made to restricted funds. Also, the Fiscal Officer charged a portion of her salary to the restricted Gasoline Tax Fund in 2012 without providing a certification or other support of time spent. This resulted in audit adjustments of \$4,120 in 2012 and \$2,025 in 2011 from Special Revenue Funds to the General Fund relating to salary amounts. This also resulted in audit adjustments for salary related payments including insurance payments, federal payroll tax payments, and retirement payments whose fund allocations were based on time and effort documentation. Total audit adjustments for salary related payments totaled \$5,253 in 2012 and \$5,836 in 2011.

**MORGAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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

FINDING NUMBER 2012-004 (Continued)

Noncompliance Citation and Material Weakness - Ohio Rev. Code Section 505.24(C) (Continued)

We recommend the Township review Auditor of State Bulletins 2011-007 and 2013-002 regarding recent legislative changes governing Township Fiscal Officer and Trustee compensation and what is now required of Township Trustees and Fiscal Officers under the new law. We further recommend the Board of Trustees approve a policy to allocate a portion of their salaries to the General Fund to account for attendance of board meetings and other activities supporting general business. The policy should also identify which fund the other portion of the Township Trustees' salaries should be paid from and should account for the ability of the Fiscal Officer to be paid from other Township funds. We further recommend that the Township Trustees and Fiscal Officer certify the percentage of actual time spent working on matters to be paid from the Township general fund and from other Township funds in such proportions as the kinds of services performed.

FINDING NUMBER 2012-005

Noncompliance Citation

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

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

1. **"Then and Now" Certificate** - If the Fiscal Officer can certify that both at the time that the contract or order was made ("then"), and at the time that the Fiscal Officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the Fiscal Officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

**MORGAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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

FINDING NUMBER 2012-005 (Continued)

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

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

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

52.9 percent of the non-payroll transactions issued in 2012 and 2011 failed to have the prior certification of the Fiscal Officer, nor was there any evidence the Fiscal Officer was using a "then and now" certificate. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

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

**MORGAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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

FINDING NUMBER 2012-006

Noncompliance Citation and Material Weakness

Ohio Admin. Code Sections 117-2-01(D)(3) and (5) state that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The Fiscal Officer did not prepare monthly bank reconciliations to reconcile the bank statements to the cash journal. This aided in the Township financial records being inaccurate and carrying incorrect fund balances. Failure to perform monthly reconciliations results in errors going undetected by the Fiscal Officer.

We recommend the Fiscal Officer prepare monthly bank reconciliations in a timely manner so that reconciling items can be easily identified and corrections, if necessary, can be made in a timely manner. These reconciliations should be reviewed and approved by the Board of Trustees at monthly meetings.

FINDING NUMBER 2012-007

Noncompliance Citation and Material Weakness

Ohio Admin. Code Section 117-2-01(D)(4) states that when designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls.

The size of the Township's staff did not allow for an adequate segregation of duties; the Fiscal Officer performed all accounting functions, including receipting, depositing, disbursing, and reconciling. It is therefore important that the Board of Trustees monitor financial activity closely.

For the period under audit, the Board of Trustees review of financial reports and information was limited. The Fiscal Officer maintained the cash journal showing total balances, receipts, and disbursements by fund. There was, however, no consistent Board signature or approval in the minute record to evidence Board of Trustee review. The cash journal was not reconciled to the bank balances and the receipt and appropriation ledgers were incomplete. Therefore, the records provided to the Board of Trustees did not provide any reliance that internal controls were in place. Formal bank reconciliations were not prepared so there were no processes or procedures in place to ensure transactions were posted in the proper period. Further, no processes exist to identify unusual fluctuations between accounts or between fiscal years.

In addition, we noted that estimated receipts and appropriations were not recorded in the manual ledger accounting system. This prevents accurate monitoring by the Board of Trustees and could result in an inaccurate presentation of budget to actual financial reports.

**MORGAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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

FINDING NUMBER 2012-007 (Continued)

Noncompliance Citation and Material Weakness (Continued)

We recommend the Fiscal Officer maintain records of budget and actual information in a format easily reviewable by the Township Board of Trustees. We further recommend the Board of Trustees review detailed financial reports, budget versus actual information, and bank reconciliations on a monthly basis.

This review should be documented in the minute record and/or initialed and dated to evidence review. We also recommend the Board of Trustees make appropriate inquiries to help determine the continued integrity of financial information. Appropriate inquiries would include:

- Are current receipts sufficient to cover expenditures?
- Are receipts and expenditures in line with prior years?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood?
- Are anticipated receipts being received in a timely manner?

The information obtained as a result of such reviews and inquiries will provide important data necessary to properly manage the Township.

FINDING NUMBER 2012-008

Noncompliance Citation

Ohio Rev. Code Section 505.262(A) authorizes a Board of Trustees to issue notes of the Township to finance installment payment purchases of equipment, buildings, and sites for any lawful township purpose. All notes issued shall be pursuant to Revised Code Section 133.20. However, as held in 1996 Op. Att'y Gen. No.1996-048, Ohio Rev. Code Section 505.262(A) does not grant explicitly or implicitly the authority of the Township to grant a security interest in the property purchased by the installment contract.

The Township's sole debt issue was an installment loan secured by the acquired Truck. This arrangement is not in compliance with Ohio Rev. Code Sections 505.262(A) and 133.20.

We recommend the Township enter into only allowable debt arrangements.

**MORGAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-009

Material Weakness

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

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

Year ending December 31, 2012:

General Fund:

- Property and Other Local Taxes were not recorded at gross and were incorrectly posted resulting in: Property and Other Local Taxes increased \$811, Other (Disbursements) increased \$192, Intergovernmental decreased \$2,086, Licenses Permits and Fees increased \$11, and Unassigned Fund Balance decreases \$1,456.
- Landfill receipts were incorrectly posted as Miscellaneous resulting in a decrease of \$1,597 in Miscellaneous and an increase of \$1,597 in Licenses, Permits and Fees.
- Voided checks were incorrectly posted as Miscellaneous Receipts resulting in a decrease in Miscellaneous of \$1,479 and a decrease of \$1,479 in General Government Disbursements.
- Receipt categories per the financial statements did not agree to totaled underlying cashbook amounts resulting in a decrease in Miscellaneous of \$5,572, an increase in Licenses, Permits, and Fees of \$5,078, and an increase in Intergovernmental of \$15,133, a decrease in Earnings on Investments of \$2, and a decrease in Property and Other Local Taxes of \$14,637.
- Disbursement categories per the financial statements did not agree to totaled underlying cashbook amounts resulting in an increase in General Government of \$6,261, an increase in Public Works of \$4,230, a decrease in Health of \$4,473, and a decrease in Other of \$6,018.
- Township Trustee timesheets did not support payroll allocations resulting in an increase in General Government Disbursements of \$9,374 and a decrease in Unassigned Fund Balance of \$9,374.

Special Revenue Funds:

- Property and Other Local Taxes were not recorded at gross and were incorrectly posted resulting in:
 - Fire Tax Levy Fund - Property and Other Local Taxes increased \$569, Other (Disbursements) increased \$135, Intergovernmental increased \$996, and an increase in Restricted Fund Balance of \$1,430.
 - Gasoline Tax Fund - Intergovernmental increased \$23 and an increase in Unassigned Fund Balance of \$23.
 - Motor Vehicle License Tax Fund - Intergovernmental increased \$3 and an increase in Restricted Fund Balances of \$3.

**MORGAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-009 (Continued)

Material Weakness (Continued)

- Voided checks were incorrectly posted as Miscellaneous Receipts resulting in:
 - Gasoline Tax Fund - a decrease in Miscellaneous of \$3,272 and a decrease of \$3,272 in Public Works Disbursements.
 - Motor Vehicle License Tax Fund - a decrease in Miscellaneous of \$1,242, a decrease of \$1,085 in Principal Disbursements, a decrease of \$141 in Interest Disbursements, and a decrease of \$16 in Public Works Disbursements.
 - Fire Tax Levy Fund - a decrease in Miscellaneous of \$3,715 and a decrease of \$3,715 in Public Safety Disbursements.
- Receipt categories per the financial statements did not agree to totaled underlying cashbook amounts resulting in:
 - Motor Vehicle License Tax Fund - an increase in Miscellaneous of \$1,242, a decrease in Property and Other Local Taxes of \$19,280, and an increase in Intergovernmental of \$18,038.
 - Gasoline Tax Fund - an increase in Miscellaneous of \$3,452, a decrease of \$88,514 in Property and Other Local Taxes, and an increase in Intergovernmental of \$85,062.
 - Fire Tax Levy Fund - an increase in Miscellaneous of \$3,715 and a decrease in Property and Other Local Taxes of \$3,715.
- Expenditure categories per the financial statements did not agree to totaled underlying cashbook amounts resulting in:
 - Motor Vehicle License Tax Fund - an increase in General Government of \$1,318, an increase in Public Works of \$1,816, a decrease in Public Safety of \$19,078, an increase in Principal of \$14,593, and an increase in Interest of \$1,351.
 - Gasoline Tax Fund - an increase in General Government of \$15,440, an increase in Public Works of \$72,581, and a decrease in Public Safety of \$88,021.
 - Fire Tax Levy Fund - an increase in General Government of \$537 and a decrease in Public Safety of \$537.
- Township Trustee timesheets did not support payroll allocations resulting in:
 - Gasoline Tax Fund - a decrease in General Government Disbursements of \$2,037, an increase in Unassigned Fund Balance of \$9,344, and a decrease in Public Works Disbursements of \$7,307.
 - Motor Vehicle License Tax Fund - a decrease in Public Works Disbursements of \$30 and an increase in Restricted Fund Balance of \$30.
- Fund Balances were not properly classified in accordance with GASB 54 resulting in:
 - Motor Vehicle License Tax Fund - an increase in Restricted Fund Balance of \$1,493 and a decrease of \$1,493 in Unassigned Fund Balance.
 - Fire Tax Levy Fund - an increase in Restricted Fund Balance of \$28,071 and a decrease of \$28,071 in Unassigned Fund Balance.
 - FEMA Fund - an increase in Restricted Fund Balance of \$10,370 and a decrease of \$10,370 in Unassigned Fund Balance.
- Debt payment expenditures were not properly classified between principal and interest resulting in:
 - Motor Vehicle License Tax Fund - an increase in Interest Disbursements of \$611 and a decrease in Principal Disbursements of \$611.

**MORGAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-009 (Continued)

Material Weakness - (Continued)

Year ending December 31, 2011:

General Fund:

- Property and Other Local Taxes were not recorded at gross and were incorrectly posted resulting in: Property and Other Local Taxes decreased \$296, Other (Disbursements) increased \$440, Intergovernmental increased \$834, and an Unassigned Fund Balance increase of \$98.
- Voided checks were incorrectly posted as Miscellaneous Receipts resulting in a decrease in Miscellaneous of \$11,634 and an increase of \$11,634 in Fund Balance, January 1.
- Receipt categories per the financial statements did not agree to totaled underlying cashbook amounts resulting in a decrease in Miscellaneous of \$8,290, an increase in Licenses, Permits, and Fees of \$8,290, and increase in Intergovernmental of \$14,695, an increase in Earnings on Investments of \$1, and a decrease in Property and Other Local Taxes of \$14,696.
- Expenditure categories per the financial statements did not agree to totaled underlying cashbook amounts resulting in an increase in General Government of \$13,040, an increase in Public Works of \$6,728, a decrease in Health of \$6,563, and a decrease in Other of \$13,205.
- Township Trustee timesheets did not support payroll allocations resulting in an increase in General Government Disbursements of \$7,861 and a decrease in Unassigned Fund Balance of \$7,861.

Special Revenue Funds:

- Property and Other Local Taxes were not recorded at gross and were incorrectly posted resulting in:
 - Fire Tax Levy Fund - Property and Other Local Taxes increased \$910, Other (Disbursements) increased \$262, Intergovernmental increased \$953, and an increase in Restricted Fund Balance of \$1,601.
 - Gasoline Tax Fund - Intergovernmental decreased \$1,835 and a decrease in Unassigned Fund Balance of \$1,835.
 - Motor Vehicle License Tax Fund - Intergovernmental increased \$136 and an increase in Restricted Fund Balances of \$136.
- Receipt categories per the financial statements did not agree to totaled underlying cashbook amounts resulting in:
 - Motor Vehicle License Tax Fund- a decrease in Miscellaneous of \$289, an increase in Earnings on Investments of \$7, a decrease in Property and Other Local Taxes of \$17,285, and an increase in Intergovernmental of \$17,567.
 - Gasoline Tax Fund - a decrease in Miscellaneous of \$7, an increase in Earnings on Investments of \$6, a decrease of \$87,649 in Property and Other Local Taxes, an increase in Intergovernmental of \$87,649, and a decrease in Unassigned Fund Balance of \$1.
 - Fire Tax Levy Fund - an increase in Intergovernmental of \$248 and a decrease in Property and Other Local Taxes of \$248.

**MORGAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-009 (Continued)

Material Weakness (Continued)

- Expenditure categories per the financial statements did not agree to totaled underlying cashbook amounts resulting in:
 - Motor Vehicle License Tax Fund - an increase in General Government of \$54, an increase in Public Works of \$2,442, a decrease in Health of \$194, a decrease in Other of \$13,294, an increase in Principal of \$12,367, and a decrease in Capital Outlay of \$1,375.
 - Gasoline Tax Fund - a decrease in General Government of \$23,725, an increase in Public Works of \$107,517, and a decrease in Health of \$40,827, a decrease in Other of \$5, and a decrease in Public Safety of \$42,960.
 - Fire Tax Levy Fund - a decrease in General Government of \$6,211 and an increase in Public Safety of \$6,211.
- Township Trustee timesheets did not support payroll allocations resulting in:
 - Gasoline Tax Fund - a decrease in General Government of \$6,629, an increase in Unassigned Fund Balance of \$7,694, and a decrease in Public Works of \$1,065.
 - Motor Vehicle License Tax Fund - a decrease in General Government of \$167 and an increase in Restricted Fund Balance of \$167.
- Fund Balances were not properly classified in accordance with GASB 54 resulting in:
 - Motor Vehicle License Tax Fund - an increase in Restricted Fund Balance of \$1,290 and a decrease of \$1,290 in Unassigned Fund Balance.
 - Fire Tax Levy Fund- an increase in Restricted Fund Balance of \$28,149 and a decrease of \$28,149 in Unassigned Fund Balance.
 - FEMA Fund- an increase in Restricted Fund Balance of \$10,370 and a decrease of \$10,370 in Unassigned Fund Balance.
- The Township failed to record on-behalf payments and receipts relating to Gallia County Community Development Block Grant funding resulting in an increase of Intergovernmental Receipts and Public Works disbursements of \$55,547 in the Gasoline Tax Fund.

Lack of due care in posting correctly resulted in audit adjustments. The Township has agreed to these adjustments and the audited financial statements and the Township's accounting system reflect the above adjustments.

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, we recommend that the Fiscal Officer review the Township Handbook for guidance on the correct line item to post various receipts and expenditures of the Township.

FINDING NUMBER 2012-010

Noncompliance Citation and Material Weakness

Internal Revenue Code (IRC) Chapter 26 §3401, §3402, §3403, §3404, §3405, and §3102(a) require the employing government to withhold federal, state, and local income and employment related taxes (such as Medicare). They also require the government to report and remit those tax matters to the appropriate tax authorities and to the recipients.

**MORGAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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

FINDING NUMBER 2012-010 (Continued)

Noncompliance Citation and Material Weakness - Internal Revenue Code (IRC) Chapter 26 §3401, §3402, §3403, §3404, §3405, and §3102(a) (Continued)

In 2011, the Township received notice that they owed the Internal Revenue Service \$24,500 in back taxes for failure to remit taxes withheld, Medicare, and resulting penalties and interest over several years beginning in 2001. As a result of this, the Internal Revenue Service filed a lien against the property of Morgan Township and instituted a repayment plan. The Township further failed to remit the full amount of federal payroll taxes pertaining to the period covering 2012 and 2011. The outstanding balance due to the Internal Revenue Service at December 31, 2012 was \$25,402. Failure to properly remit payroll taxes may lead to penalties, interest and findings against the Township.

We recommend that the Township properly withhold the necessary amounts as determined by the Internal Revenue Code. We further recommend that the Township report the amounts withheld and remit the amounts withheld to the proper authorities in the time frame prescribed by law. We further recommend the Township take measures to resolve the amounts owed for back taxes.

FINDING NUMBER 2012-011

Noncompliance Citation and Material Weakness

Ohio Rev. Code Section 117.38 provides that cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. The Auditor of State may prescribe by rule or guidelines the forms for these reports. However, if the Auditor of State has not prescribed a reporting form, the public office shall submit its report on the form used by the public office. Any public office not filing the report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfiled, not to exceed seven hundred fifty dollars. The Auditor of State may waive these penalties, upon the filing of the past due financial report.

The report shall contain the following: (A) amount of collections and receipts, and accounts due from each source; (B) amount of expenditures for each purpose; (C) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and (D) amount of public debt of each taxing district, the purpose of the debt, and how the debt will be repaid.

Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

The Township did not file its 2012 and 2011 annual reports with the Auditor of State until April 17, 2013. Failure to file the annual financial report within 60 days of the fiscal year-end can result in fines and penalties. Further, failing to file an annual report could be a symptom of an inadequate accounting system, inadequate training of personnel in understanding the accounting and reporting process, unposted or unreconciled records or other significant issues affecting the control environment, and may even pose fraud risks. The reports provided to the Auditor of State required numerous adjustments and reclassifications as a result of audit procedures. Misstated financial reports make it difficult for management to monitor financial performance and impossible for the Township to be transparent to the public in its financial activity.

**MORGAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>

FINDING NUMBER 2012-011 (Continued)

Noncompliance Citation and Material Weakness - Ohio Rev. Code Section 117.38 (Continued)

We recommend the Fiscal Officer file the Township's annual financial reports with the Auditor of State within 60 days of the fiscal year end. We also recommend the Township establish an accounting system capable of accurate financial reporting. We further recommend all the Township's officials obtain the necessary training needed to obtain an understanding in accounting information and reporting.

Officials' Response:

The Township is working with Local Government Services to be in compliance. The Township is attempting to correct these issues.

**MORGAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2010-01	Material Weakness citing Ohio Admin. Code Sections 117-2-01(D)(3) and (5) for the Fiscal Officer failing to prepare monthly bank reconciliations.	No	Not Corrected – Reissued as Finding Number 2012-006.
2010-02	Material Weakness citing Ohio Admin. Code Section 117-2-01(D)(4) for inadequate monitoring including: lack of segregation of duties, lack of Board review of financial information, inadequate financial information maintained, lack of budgetary information in the accounting records, lack of bank reconciliations.	No	Not Corrected – Reissued as Finding Number 2012-007.
2010-03	Material Weakness citing Ohio Admin. Code Section 117-2-02(A) due to inadequate records.	No	Partially Corrected. Reduced issue included in letter to management.
2010-04	Noncompliance Citation and Material Weakness citing Ohio Rev. Code Section 117.38 for failing to file annual reports with the Auditor of State within 60 days of the fiscal year end.	No	Not Corrected – Reissued as Finding Number 2012-011.
2010-05	Noncompliance Citation citing Ohio Rev. Code Section 5549.21 for failure to properly bid purchases exceeding \$25,000.	Yes	Finding No Longer Valid
2010-06	Noncompliance Citation citing Ohio Rev. Code Section 5705.10(H) for negative fund balances.	No	Not Corrected – Reissued as Finding Number 2012-001.
2010-07	Noncompliance Citation citing Ohio Rev. Code Section 5705.36(A)(4) for failure to request a reduced Certificate of Estimated Resources in accordance with realistic receipt expectations.	No	Not Corrected – Reissued as Finding Number 2012-002.
2010-08	Noncompliance Citation citing Ohio Rev. Code Section 5705.41(B) regarding expenditures exceeding appropriations.	No	Not Corrected – Reissued as Finding Number 2012-003.

**MORGAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-09	Noncompliance Citation citing Ohio Rev. Code Section 5705.41(D)(1) for improper encumbering.	No	Not Corrected – Reissued as Finding Number 2012-005.
2010-10	Material Weakness due to multiple adjustments required from audit procedures.	No	Not Corrected – Reissued as Finding Number 2012-009.

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Dave Yost • Auditor of State

MORGAN TOWNSHIP

SOUTHEAST 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
DECEMBER 3, 2013**