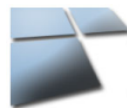


Morgan Township
Scioto County
Regular Audit
For the Years Ended December 31, 2017 and 2016



Millhuff-Stang

CERTIFIED PUBLIC ACCOUNTANT

Millhuff-Stang, CPA, Inc.
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Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of Morgan Township, Scioto County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2016 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Morgan Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 19, 2018

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Morgan Township
Scioto County
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For the Years Ended December 31, 2017 and 2016

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Morgan Township, Scioto County, (the Township) as of and for the years ended December 31, 2017 and 2016.

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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; 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 such 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 opinions.

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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2017 and 2016, or the respective 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 cash balances, receipts and disbursements by fund type, and related notes of Morgan Township, Scioto County, as of December 31, 2017 and 2016, and 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(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2018, 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. The 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 the effectiveness of the Township's 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.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

July 30, 2018

Morgan Township
Scioto County
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2017

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Other Local Taxes	\$49,294	\$83,062	\$132,356
Intergovernmental	33,258	148,058	181,316
Earnings on Investments	9	3	12
Miscellaneous	1,149	8,087	9,236
Total Cash Receipts	83,710	239,210	322,920
Cash Disbursements:			
Current:			
General Government	55,472	0	55,472
Public Safety	0	44,218	44,218
Public Works	0	162,364	162,364
Health	14,683	0	14,683
Capital Outlay	0	59,538	59,538
Total Cash Disbursements	70,155	266,120	336,275
Total Cash Receipts Over (Under) Cash Disbursements	13,555	(26,910)	(13,355)
Other Financing Sources:			
Other Debt Proceeds	0	52,500	52,500
Total Other Financing Sources	0	52,500	52,500
Excess of Cash Receipts and Other Financing Sources Over Cash Disbursements	13,555	25,590	39,145
Fund Cash Balances, January 1	13,284	88,041	101,325
Restricted for:			
Fire Operations	0	65,336	65,336
Road and Bridge Maintenance and Improvements	0	42,840	42,840
Committed for:			
Road and Bridge Maintenance and Improvements	0	5,455	5,455
Assigned to:			
Future Obligations	227	0	227
Unassigned	26,612	0	26,612
Fund Cash Balances, December 31	\$26,839	\$113,631	\$140,470

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

Morgan Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Summary of Significant Accounting Policies

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Morgan Township, Scioto County (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection. The Township contracts with the Scioto Ambulatory District to provide ambulance services. The Scioto Ambulatory District is defined as a jointly governed organization and is described in Note 9.

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is the Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool available to all Townships for property and casualty insurance coverage.

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

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Cash

The Township maintains its cash pool in an interest-bearing checking account with a local commercial bank.

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:

General Fund

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

Special Revenue Funds

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

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

Road and Bridge Fund - This fund receives property tax and intergovernmental money for constructing, maintaining, and repairing Township roads and bridges.

Morgan Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

Special Revenue Funds (Continued)

Fire Levy Fund - This fund receives tax money for providing fire protection services.

Miscellaneous Special Revenue – This fund receives CDBG grant money from Scioto County.

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. Unencumbered appropriations lapse at year-end.

Estimated Resources

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

Encumbrances

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

A summary of the 2017 budgetary activity appears in Note 3.

Fund Balances

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

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

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.

Committed – Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the 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.

Morgan Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

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 Township Trustees or a Township official delegated that authority by resolution, or by State statute.

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.

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.

Note 2 – Equity in Pooled Cash

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

Demand Deposits	2017
	\$140,470

Deposits – Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution’s public entity deposit pool. The financial institution is in the process of joining the Ohio Pooled Collateral System (OPCS); however, at December 31, 2017, the financial institution still maintained its own collateral pool.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$84,618	\$83,710	(\$908)
Special Revenue	249,848	291,710	41,862
Total	\$334,466	\$375,420	\$40,954

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$95,601	\$70,382	\$25,219
Special Revenue	385,742	266,654	119,088
Total	\$481,343	\$337,036	\$144,307

Morgan Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 4 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts.

Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

Note 5 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Tanker Lease Purchase	\$37,500	3.15%
Dump Truck Lease Purchase	15,000	3.31%

The Township entered into a lease purchase agreement to finance the purchase of a tanker for the Township fire department in 2017. The Township’s taxing authority collateralized the lease purchase.

The Township entered into a lease purchase agreement in 2017 for a dump truck for the Township road department. The Township’s taxing authority collateralized the lease purchase.

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

Year Ending December 31:	Tanker	Dump Truck
2018	\$13,307	\$3,309
2019	13,307	3,309
2020	13,307	3,309
2021	0	3,309
2022	0	3,309
	\$39,921	\$16,545

Morgan Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 6 – 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 includes postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2017 OPERS members contributed 10% of their gross salaries, with the Township contributing an amount equal to 14% of participants’ gross salaries. The Township has paid all contributions required through December 31, 2017.

Note 7 – Risk Management

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

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

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

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2017, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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, 2017:

	<u>2017</u>
Assets	\$40,010,732
Liabilities	<u>(8,675,465)</u>
Net Position	<u>\$31,335,267</u>

At December 31, 2017, the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township’s share of these unpaid claims collectible in future years is approximately \$5,000.

Morgan Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 – Risk Management (Continued)

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.

Contributions to OTARMA
<hr/>
2017
<hr/>
\$12,218

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.

Note 8 – Contingent Liabilities

Grants

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

Litigation

The Township is not currently party to litigation.

Note 9 – Jointly Governed Organization

The Township is a member of the Scioto Ambulatory District (the District). The District is directed by an appointed five-member Board. The District provides ambulatory services to the areas of Brush Creek Township, Rush Township, Morgan Township and the Village of Otway. A representative from each Township or Village is appointed to the Scioto Ambulatory District Board. The District is supported by taxes that are collected by the Scioto County Auditor from the property owners in Morgan Township. These taxes are paid to the District by the County. The Township does not assist in funding the District.

Note 10 – Noncompliance

The Township had appropriations in excess of available resources, which is contrary to Ohio Revised Code Section 5705.36(A)(2).

Morgan Township
Scioto County
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances
All Governmental Fund Types
For The Year Ended December 31, 2016

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Other Local Taxes	\$45,399	\$77,295	\$122,694
Intergovernmental	15,969	145,374	161,343
Earnings on Investments	11	4	15
Miscellaneous	679	4,469	5,148
Total Cash Receipts	62,058	227,142	289,200
Cash Disbursements:			
Current:			
General Government	53,285	0	53,285
Public Safety	0	40,186	40,186
Public Works	0	138,802	138,802
Health	15,111	0	15,111
Capital Outlay	0	42,412	42,412
Debt Service:			
Redemption of Principal	0	5,964	5,964
Interest and Other Fiscal Charges	0	145	145
Total Cash Disbursements	68,396	227,509	295,905
Total Cash Receipts Under Cash Disbursements	(6,338)	(367)	(6,705)
Fund Cash Balances, January 1	19,622	88,408	108,030
Restricted for:			
Fire Operations	0	41,621	41,621
Road and Bridge Maintenance and Improvements	0	32,683	32,683
Committed for:			
Road and Bridge Maintenance and Improvements	0	13,737	13,737
Assigned to:			
Future Obligations	233	0	233
Unassigned	13,051	0	13,051
Fund Cash Balances, December 31	\$13,284	\$88,041	\$101,325

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

Morgan Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Summary of Significant Accounting Policies

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Morgan Township, Scioto County (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection. The Township contracts with the Scioto Ambulatory District to provide ambulance services. The Scioto Ambulatory District is defined as a jointly governed organization and is described in Note 9.

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is the Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool available to all Townships for property and casualty insurance coverage.

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

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Cash

The Township maintains its cash pool in an interest-bearing checking account with a local commercial bank.

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:

General Fund

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

Special Revenue Funds

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

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

Morgan Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

Special Revenue Funds (Continued)

Road and Bridge Fund - This fund receives property tax and intergovernmental money for constructing, maintaining, and repairing Township roads and bridges.

Fire Levy Fund - This fund receives tax money for providing fire protection services.

Miscellaneous Special Revenue – This fund receives CDBG grant money from Scioto County.

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. Unencumbered appropriations lapse at year-end.

Estimated Resources

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

Encumbrances

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

A summary of the 2016 budgetary activity appears in Note 3.

Fund Balances

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

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

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.

Morgan Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

Committed – Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the 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.

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 Township Trustees or a Township official delegated that authority by resolution, or by State statute.

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.

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.

Note 2 – Equity in Pooled Cash

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

	2016
Demand Deposits	<u>\$101,325</u>

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

Morgan Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$61,157	\$62,058	\$901
Special Revenue	238,860	227,142	(11,718)
Total	<u>\$300,017</u>	<u>\$289,200</u>	<u>(\$10,817)</u>

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$80,779	\$68,629	\$12,150
Special Revenue	325,069	231,521	93,548
Total	<u>\$405,848</u>	<u>\$300,150</u>	<u>\$105,698</u>

Note 4 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts.

Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

Note 5 – Debt

The Township had no debt outstanding at the end of 2016. The Township issued a bond to finance the purchase of a backhoe for the Township in 2015. This bond was paid off during 2016.

Note 6 – 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 includes postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2016, OPERS members contributed 10% of their gross salaries, with the Township contributing an amount equal to 14% of participants’ gross salaries. The Township has paid all contributions required through December 31, 2016.

Morgan Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 7 – Risk Management

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

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

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

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2016, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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, 2016:

	<u>2016</u>
Assets	\$38,473,283
Liabilities	<u>(8,244,140)</u>
Net Position	<u>\$30,229,143</u>

At December 31, 2016, the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township’s share of these unpaid claims collectible in future years is approximately \$6,000.

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.

Contributions to OTARMA
<u>2016</u>
\$12,325

Morgan Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 7 – Risk Management (Continued)

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.

Note 8 – Contingent Liabilities

Grants

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

Litigation

The Township is not currently party to litigation.

Note 9 – Jointly Governed Organization

The Township is a member of the Scioto Ambulatory District (the District). The District is directed by an appointed five-member Board. The District provides ambulatory services to the areas of Brush Creek Township, Rush Township, Morgan Township and the Village of Otway. A representative from each Township or Village is appointed to the Scioto Ambulatory District Board. The District is supported by taxes that are collected by the Scioto County Auditor from the property owners in Morgan Township. These taxes are paid to the District by the County. The Township does not assist in funding the District.

Note 10 – Noncompliance

The Township did not approve their 2016 appropriations timely, which is contrary to Ohio Revised Code Section 5705.38(A).

The Township had expenditures in excess of appropriations, which is contrary to Ohio Revised Code Section 5705.41(B).

The Township had appropriations in excess of available resources, which is contrary to Ohio Revised Code Section 5705.36(A)(2).

The Township did not always properly encumber funds, which is contrary to Ohio Revised Code Section 5705.41(D).



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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Morgan Township, Scioto County (the Township) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated July 30, 2018, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2017-001, that we consider to be a material weakness.

Morgan Township
Scioto County

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

Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2017-002 through 2017-005.

Township's Responses to Findings

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Township's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

July 30, 2018

Morgan Township
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2017 and 2016

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2017-001

Material Weakness – Financial Reporting

The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 115 establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client's internal control over financial reporting. This standard requires the auditor to report *in writing* to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses.

During the course of our testing, we identified 2017 loan proceeds that were unrecorded, various misclassifications in property taxes, intergovernmental revenue and nonpayroll disbursements for 2016 and 2017, misclassifications of fund balances for 2016 and 2017, and missing note disclosures for both 2016 and 2017. These instances were corrected in the accompanying financial statements.

We recommend the Township implement additional control procedures related to financial reporting that enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes.

Township Response:

Fiscal officer will work with auditors to correct this issue going forward.

Finding Number 2017-002

Noncompliance Citation – Prior Certification of Funds

Ohio Revised Code Section 5705.41(D)(1) 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.

The statute provides the following exception to this basic requirement:

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 she is completing her 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 \$3,000 for political subdivisions other than counties 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.

During testing, we noted a material disbursement was not certified at the time of commitment and there was no evidence that the Township followed the aforementioned exception for this 2016 commitment. Failure to properly certify the availability of funds could result in overspending or unauthorized or improper expenditure of funds.

Morgan Township
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2017 and 2016

Finding Number 2017-002 (Continued)

We recommend the Fiscal Officer certify that funds are or will be available prior to obligation by the Township. When prior certification is not possible, “then and now” certification should be used.

Township Response:

Fiscal officer will work with auditors to correct this issue going forward.

Finding Number 2017-003

Noncompliance Citation – Appropriations in Excess of Available Resources

Ohio Revised Code Section 5705.36(A)(2) allows subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Ohio Revised Code Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation. The Township had appropriations in excess of available resources in 2017 and 2016. The condition put the Township at risk of overspending without sufficient available funds. The Township should implement additional monitoring procedures to ensure the appropriations are within available resources and that reduced amended certificates, and related reductions in appropriations, are obtained when appropriate.

Township Response:

Fiscal officer will work with auditors to correct this issue going forward.

Finding Number 2017-004

Noncompliance – Annual Appropriation Measure

Ohio Revised Code Section 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1. The Township did not pass their 2016 annual appropriation measure until January 18, 2016, resulting in noncompliance. We recommend the Township implement additional procedures to ensure a budget is approved by the required date.

Township Response:

Fiscal officer will work with auditors to correct this issue going forward.

Finding Number 2017-005

Noncompliance – Expenditures in Excess of Appropriations

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. During 2016 the Township had material expenditures before adopting the 2016 appropriation measure, resulting in noncompliance with the Ohio Revised Code. We recommend the Township implement additional procedures to ensure the approved budget is in place before expenditures are made.

Township Response:

Fiscal officer will work with auditors to correct this issue going forward.

Morgan Township
Scioto County
Schedule of Prior Audit Findings
For the Years Ended December 31, 2017 and 2016

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
Finding 2015-001	Material Weakness – Financial Reporting	No	Reissued as Finding 2017-001
Finding 2015-002	Material Weakness – Budgetary Information Within Accounting System	No	Reissued as Management Letter Comment
Finding 2015-003	Noncompliance with Ohio Revised Code Section 5705.41(D)	No	Reissued as Finding 2017-002
Finding 2015-004	Noncompliance with Ohio Revised Code Section 5705.36(A)(2)	No	Reissued as Finding 2017-003
Finding 2015-005	Noncompliance with Ohio Revised Code Section 5705.41(B)	No	Reissued as finding 2017-005

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Dave Yost • Auditor of State

MORGAN TOWNSHIP

SCIOTO COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 8, 2018**