



Dave Yost • Auditor of State

**MORGAN TOWNSHIP
GALLIA COUNTY
DECEMBER 31, 2016 AND 2015**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - December 31, 2016	5
Notes to the Financial Statements – For the Year Ended December 31, 2016	6
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - December 31, 2015	13
Notes to the Financial Statements – For the Year Ended December 31, 2015	14
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	21
Schedule of Findings.....	23
Summary Schedule of Prior Audit Findings (Prepared by Management).....	32

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Morgan Township
Gallia County
PO Box 64
Bidwell, Ohio 45614

To the Board of Trustees:

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, Gallia County, Ohio (the Township), as of and for the years ended December 31, 2016 and 2015.

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 § 117.38 and Ohio Administrative Code § 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 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 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 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, 2016 and 2015, 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, 2016 and 2015, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 12 of the 2015 financial statements, the Township restated the January 1, 2015 General Fund and Special Revenue Fund balances to include the effect of removing prior period outstanding checks from the outstanding check list. Our opinion is not modified with respect to this matter.

As discussed in Note 11 to the 2015 and 2016 financial statements, the Township had General Fund and Gasoline Tax Fund deficit cash balances as of December 31, 2016 and Motor Vehicle License Fund and Gasoline Tax Fund deficit cash balances as of December 31, 2015, 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 10 and 12 to the 2016 financial statements and Notes 10 and 13 to the 2015 financial statements include the debt, liabilities, and outstanding amounts owed by the Township.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2017, 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 "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

August 18, 2017

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Morgan Township

Gallia County, Ohio

Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2016

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$38,814	\$13,049	\$51,863
Licenses, Permits and Fees	6,068	0	6,068
Intergovernmental	22,241	128,512	150,753
Earnings on Investments	2	9	11
Miscellaneous	2,096	1,424	3,520
<i>Total Cash Receipts</i>	<u>69,221</u>	<u>142,994</u>	<u>212,215</u>
Cash Disbursements			
Current:			
General Government	35,520	3,099	38,619
Public Safety	408	23,124	23,532
Public Works	0	102,330	102,330
Health	8,103	0	8,103
Capital Outlay	0	1,000	1,000
Debt Service:			
Principal Retirement	21,607	708	22,315
Interest and Fiscal Charges	2,288	242	2,530
<i>Total Cash Disbursements</i>	<u>67,926</u>	<u>130,503</u>	<u>198,429</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,295</u>	<u>12,491</u>	<u>13,786</u>
Other Financing Receipts (Disbursements)			
Sale of Capital Assets	4,500	0	4,500
Transfers In	0	15,057	15,057
Transfers Out	(15,057)	0	(15,057)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(10,557)</u>	<u>15,057</u>	<u>4,500</u>
<i>Net Change in Fund Cash Balances</i>	(9,262)	27,548	18,286
<i>Fund Cash Balances, January 1</i>	<u>2,883</u>	<u>1,935</u>	<u>4,818</u>
Fund Cash Balances, December 31			
Restricted	0	30,027	30,027
Unassigned (Deficit)	(6,379)	(544)	(6,923)
<i>Fund Cash Balances, December 31</i>	<u>(\$6,379)</u>	<u>\$29,483</u>	<u>\$23,104</u>

See accompanying notes to the basic financial statements

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

Note 1 - Reporting 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 the Springfield Township Fire Department and the Vinton Fire Department to provide fire services.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Township participates in the Ohio Township Risk Management Authority (OTARMA), a public entity risk pool. Note 7 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.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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:

Gas Tax Fund The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 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).

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 (D) permit.

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 level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year-end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must 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 canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2016 budgetary activity appears in Note 3.

Capital Assets

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

Fund Balance

Fund balance is divided into two 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:

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.

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.

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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.

Note 3 - Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$9,888, in the Gas Tax Fund by \$22,544, and in the Permissive Tax Fund by \$9,885 for the year ended December 31, 2016. Also contrary to Ohio law, at December 31, 2016, the General Fund had a cash deficit balance of \$6,379 and the Gas Tax Fund had a cash deficit balance of \$544.

Note 4 - Budgetary Activity

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$72,000	\$73,721	\$1,721
Special Revenue	129,662	158,051	28,389
Total	\$201,662	\$231,772	\$30,110

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$73,095	\$82,983	(\$9,888)
Special Revenue	133,022	130,503	2,519
Total	\$206,117	\$213,486	(\$7,369)

Note 5 - Deposits

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

	2016
Demand deposits	\$23,104

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

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

Note 6 - 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 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.

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

Note 7 - Risk Management (Continued)

	2016
Assets	\$38,473,283
Liabilities	8,244,140
Net Position	\$30,229,143

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 \$2,000.

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>2016 Contributions to OTARMA</u>
\$4,535

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 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Township 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. OPERS members contributed 10%, of their gross salaries and the Township contributed an amount equaling 14%, of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

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

Note 9 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Note 10 - Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Grader Loan	\$6,759	2.46%
Backhoe Loan	68,733	2.89%
Total	\$75,492	

Amortization

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

Year ending December 31:	Backhoe Loan	Grader Loan
2017	\$15,762	\$6,813
2018	15,762	
2019	15,762	
2020	15,762	
2021	10,508	
Total	\$73,556	\$6,813

Note 11 - Deficit Fund Balance

At December 31, 2016, the Township had deficit fund cash balances in the General Fund and Gasoline Tax Fund of (\$6,379) and (\$544), respectively. The Township has attempted to reduce the negative fund balances through limiting expenditures.

Note 12 - Liabilities and Outstanding Amounts Owed

The Township has outstanding audit costs relating to the prior financial audits performed by the Auditor of State's Office. As of December 31, 2016, the Township owed \$22,252 to the Treasurer of State for these audit costs.

Note 13 - Subsequent Events

The Township passed Resolution 2017-1 on March 18, 2017 authorizing the County Prosecutor to file a Petition seeking approval of the Court of Common Pleas, Gallia County, Ohio, for the transfer of the sum of \$21,363 from the Fire Levy Fund to the General Fund.

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Morgan Township

Gallia County, Ohio

Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2015

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$35,808	\$13,257	\$49,065
Licenses, Permits and Fees	4,931	0	4,931
Intergovernmental	28,117	106,731	134,848
Earnings on Investments	4	8	12
Miscellaneous	1,450	324	1,774
<i>Total Cash Receipts</i>	<u>70,310</u>	<u>120,320</u>	<u>190,630</u>
Cash Disbursements			
Current:			
General Government	37,206	0	37,206
Public Safety	0	8,348	8,348
Public Works	0	127,415	127,415
Capital Outlay	0	86,939	86,939
Debt Service:			
Principal Retirement	11,650	2,848	14,498
Interest and Fiscal Charges	969	180	1,149
<i>Total Cash Disbursements</i>	<u>49,825</u>	<u>225,730</u>	<u>275,555</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>20,485</u>	<u>(105,410)</u>	<u>(84,925)</u>
Other Financing Receipts (Disbursements)			
Other Debt Proceeds	0	86,939	86,939
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>86,939</u>	<u>86,939</u>
<i>Net Change in Fund Cash Balances</i>	20,485	(18,471)	2,014
<i>Fund Cash Balances, January 1</i>	<u>(17,602)</u>	<u>20,406</u>	<u>2,804</u>
Fund Cash Balances, December 31			
Restricted	0	38,914	38,914
Assigned	1,095	0	1,095
Unassigned (Deficit)	1,788	(36,979)	(35,191)
<i>Fund Cash Balances, December 31</i>	<u>\$2,883</u>	<u>\$1,935</u>	<u>\$4,818</u>

See accompanying notes to the basic financial statements

Morgan Township
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 1 - Reporting 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 the Springfield Township Fire Department and the Vinton Fire Department to provide fire services.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Township participates in the Ohio Township Risk Management Authority (OTARMA), a public entity risk pool. Note 7 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.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 Funds:

Gas Tax Fund The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Motor Vehicle License Tax Fund The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

Morgan Township
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 117-2-03 (D) permit.

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 level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year-end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must 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 canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2015 budgetary activity appears in Note 3.

Capital Assets

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

Fund Balance

Fund balance is divided into three 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:

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
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Balance (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 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.

Note 3 - Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$27,952, in the Motor Vehicle License Fund by \$23,204, in the Gas Tax Fund by \$14,199, and in the Permissive Tax Fund by \$2,814 for the year ended December 31, 2015. Also contrary to Ohio law, at December 31, 2015, the Motor Vehicle License Fund had a cash deficit balance of \$2,207 and the Gasoline Tax Fund had a cash deficit balance of \$34,772.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$45,180	\$70,310	\$25,130
Special Revenue	129,546	207,259	77,713
Total	\$174,726	\$277,569	\$102,843

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$21,873	\$49,825	(\$27,952)
Special Revenue	217,454	225,730	(8,276)
Total	\$239,327	\$275,555	(\$36,228)

Morgan Township
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 5 - Deposits

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

	<u>2015</u>
Demand deposits	\$4,818

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 6 - 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 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, 2015, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

Morgan Township
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 7 - 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, 2015.

	<u>2015</u>
Assets	\$37,313,311
Liabilities	8,418,518
Net Position	\$28,894,793

At December 31, 2015, the liabilities above include approximately \$7.8 million of estimated incurred claims payable. The assets above also include approximately \$7.7 million of unpaid claims to be billed to approximately 989 members in the future, as of December 31, 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$2,000.

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>2015</u>
\$4,250

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
For the Year Ended December 31, 2015

Note 8 - Defined Benefit Pension Plan

Ohio Public Employees Retirement System

Township 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. OPERS members contributed 10%, of their gross salaries and the Township contributed an amount equaling 14%, of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

Note 9 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Note 10 - Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Grader Loan	\$15,732	2.46%
Backhoe Loan	82,295	2.89%
Total	\$98,027	

The Township issued a promissory note on September 15, 2015 in the amount of \$86,939 for the purchase of a 2015 Case 580SN Backhoe for 6 years.

Amortization

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

Year ending December 31:	Backhoe Loan	Grader Loan
2016	\$15,762	\$9,084
2017	15,762	6,813
2018	15,762	
2019	15,762	
2020	15,762	
2021	10,508	
Total	\$89,318	\$15,897

Morgan Township
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 11 - Deficit Fund Balance

At December 31, 2015, the Township had deficit fund cash balances in the Motor Vehicle License Fund and Gasoline Tax Fund of (\$2,207) and (\$34,772), respectively. 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.

Note 12 - Restatement of Prior Year Balance

The Township had the following restatement:

	General Fund	Special Revenue
Reported Fund Balance at December 31, 2014	(\$19,347)	\$18,429
Prior Period Outstanding Checks Removed	1,745	1,977
Restated Fund Balance at January 1, 2015	(\$17,602)	\$20,406

Note 13 - Liabilities and Outstanding Amounts Owed

The Township has outstanding audit costs relating to the prior financial audits performed by the Auditor of State's Office. As of December 31, 2015, the Township owed \$25,485 to the Treasurer of State for these audit costs.

The Township entered into a contract for fire protection services with Springfield Township, Gallia County in 2014 & 2013. The Township failed to pay \$1,019 as required by the contract to Springfield Township for 2014. In addition, the Township owed \$3,726 to Springfield Township from the 2012 and 2011 contracts.



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
PO Box 64
Bidwell, Ohio 45614

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 the cash balances, receipts, and disbursements by fund type of Morgan Township, Gallia County, Ohio (the Township), as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated August 18, 2017 wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We also noted the Township was experiencing financial difficulties.

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.

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 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.

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 internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider findings 2016-001 through 2016-004 and 2016-007 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 2016-001 through 2016-003, 2016-005, 2016-006, 2016-008, and 2016-009.

Entity's Response to Findings

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

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

August 18, 2017

**MORGAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 and 2015**

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

FINDING NUMBER 2016-001

Noncompliance/Material Weakness

Ohio Admin. Code §§ 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.

Ohio Admin. Code § 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 Township 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.

During 2015, 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 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.

Also, during 2015, 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.

In addition, we noted that estimated receipts and appropriations were not recorded in the manual ledger accounting system in 2015. This prevents accurate monitoring by the Board of Trustees and could result in an inaccurate presentation of budget to actual financial reports.

The Township converted to the UAN accounting system in January 2016. After conversion, the fiscal officer provided the Board with monthly financial reports for review. These reports included a monthly bank reconciliation. However, the reconciliations throughout 2016 included an "other adjusting factor" of (\$3,831) which was related to the amount of outstanding checks upon conversion. We noted several checks from the period of 2013 through 2015 which had not cleared as of December 31, 2016. The following adjustments were made to the financial statements:

In 2015:

- A prior period adjustment to increase the beginning fund balance in the General Fund by \$1,745.
- A prior period adjustment to increase the beginning fund balance in the Motor Vehicle License Fund by \$30.
- A prior period adjustment to increase the beginning fund balance in the Gas Tax Fund by \$1,916.
- A prior period adjustment to increase the beginning fund balance in the Fire Fund by \$30.

**MORGAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 and 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-001 (Continued)

Noncompliance/Material Weakness - Ohio Admin. Code §§ 117-2-01(D)(3) and (5) (Continued)

- A reduction of expenditures in the General Fund General Government line item in the amount of \$320.
- A reduction of expenditures in the Motor Vehicle License Fund Public Works line item in the amount of \$275.
- A reduction of expenditures in the Gas Tax Fund Public Works line item in the amount of \$847.
- A reduction of expenditures in the Fire Fund Public Safety line item in the amount of \$50.

A comparison of checks per the bank statements to checks per the book also noted the following:

- An increase in expenditures in 2015 in the General Fund General Government line item in the amount of \$150 for an unrecorded item.
- An increase in expenditures in 2015 in the Gas Tax Fund Public Works line item in the amount of \$1,197 for an unrecorded item.

The Fiscal Officer should 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. Also, the Fiscal Officer should 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 Township 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.

Officials' Response: The Township has converted to UAN and this issue has been corrected.

FINDING NUMBER 2016-002

Noncompliance/Material Weakness

Ohio Admin. Code § 117-2-02(A) requires public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by § 117-2-03 of the Ohio Admin. Code. Such records should include a cash journal, receipts, ledger, appropriation ledger, payroll journals, quarterly payroll records, and vouchers.

**MORGAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 and 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-002 (Continued)

Noncompliance/Material Weakness - Ohio Admin. Code § 117-2-02 (Continued)

Ohio Admin. Code § 117-2-02(C)(1) states that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances.

Ohio Admin. Code § 117-2-02(D) further states that accounting records that can help achieve these objectives include the following:

- Cash journal, which typically includes the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
- Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund.
- Appropriation ledger, which assembles and classifies disbursements into separate accounts, for at a minimum, each account listed in the appropriation resolution.

Using these accounting records will provide the Township with information required to monitor compliance with the budget and prepare annual reports in the format required by the Auditor of State.

In 2016, the Township converted their accounting records to the UAN accounting system. However, the conversion did not include the payroll records. Manual payroll records were maintained throughout the audit period. However, there were no timesheets provided to support employee payments for either 2016 or 2015.

During 2015, the Township maintained a cash journal but the cash journal was not reconciled with the bank balances. The following errors were noted when agreeing the manual combined and combining statements of the annual report for 2015 back to the cash journal and performing the reconciliation.

In 2015:

- General Fund receipts increased \$329;
- General Fund disbursements decreased \$132;
- Motor Vehicle License Fund disbursements decreased \$275;
- Fire Fund receipts increased \$1,851;
- Fire Fund disbursements decreased \$50;
- Gasoline Tax Fund receipts decreased \$3,742;
- Gasoline Tax Fund disbursements increased \$350; and
- Permissive MVL Fund receipts increased \$1,562.

In 2015, The Township also failed to integrate budgetary information with its accounting system. There was no system in place to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances. The Township converted to UAN in 2016. However, appropriations were not entered into the system. Further, the amounts recorded in the UAN system for Estimated Receipts did not agree to the approved amounts.

**MORGAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 and 2015
(Continued)**

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

FINDING NUMBER 2016-002 (Continued)

Noncompliance/Material Weakness - Ohio Admin. Code § 117-2-02 (Continued)

This could result in the Township appropriating more money than is available, and/or expending more money than is appropriated. In addition, for 2015 invoices were not attached to the vouchers, but were contained in separate folders, making it difficult to locate support for expenditures. This led to increased time in completion of Auditor of State procedures and increased audit fees.

The Township should properly maintain the accounting records and reconcile the cash journal to the bank balances and to the receipts ledger and appropriation ledger monthly. Furthermore, the Township should post budgetary information correctly into the UAN accounting system.

Official's Response: The Township has converted to UAN and this issue has been corrected.

FINDING NUMBER 2016-003

Noncompliance/Material Weakness

Ohio Rev. Code § 5705.10(I) 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 Township had the following deficit balances at December 31, 2015: Gasoline Tax Fund (\$34,772) and Motor Vehicle License Fund (\$2,207). In addition, the Township had the following deficit balances at December 31, 2016: General Fund (\$6,379) and Gasoline Tax Fund (\$544).

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.

The Fiscal Officer should use money paid into a fund only for purposes 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.

Official's Response: The Township has cut back on spending and they are working to resolve this issue.

FINDING NUMBER 2016-004

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.

The following errors were noted in the financial statements that required audit adjustments or reclassifications:

**MORGAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 and 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-004 (Continued)

Material Weakness (Continued)

In 2016:

- General Fund Homestead and Rollback receipts were incorrectly posted to Taxes in the amount of \$6,304.
- Homestead and Rollback receipts were misallocated to the General Fund instead of the Fire Fund in the amount of \$396.
- Motor Vehicle License Fund receipts were incorrectly posted to Licenses, Fees and Permits in the amount of \$10,339.
- Permissive Motor Vehicle License Fund receipts were incorrectly posted to Taxes instead of Intergovernmental in the amount of \$8,722.
- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances on the financial statements and indicates the unassigned classification should be used to report a deficit balance in governmental funds other than the general fund. The Township reported the Gas Tax Fund deficit balance as restricted instead of unassigned, in the amount of \$544.

In 2015:

- General Fund debt service interest of \$178 was incorrectly posted as debt service principal and general government in the amounts of \$42 and \$136, respectively.
- Motor Vehicle License Fund other debt proceeds and capital outlay were both understated by \$183.
- Permissive Motor Vehicle License Fund receipts were incorrectly posted to the General Fund in the amount of \$1,562.
- Homestead and Rollback receipts were incorrectly posted to the Gas Tax Fund instead of the General Fund in the amount of \$1,891.
- Homestead and Rollback receipts were incorrectly posted to the Gas Tax Fund instead of the Fire Fund in the amount of \$1,851.
- Expenditures for Public Works in the Gas Tax Fund were not posted in the amount of \$1,197.
- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances on the financial statements and was codified as follows: GASB Cod. 1800.176 require reporting amounts as assigned when subsequent appropriations exceed estimated receipts. The Township improperly reported the assigned portion of the General Fund's cash fund balance as unassigned, in the amount of \$1,095.
- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances on the financial statements and indicates the unassigned classification should be used to report a deficit balance in governmental funds other than the general fund. The Township reported the Motor Vehicle License Fund deficit balance as restricted instead of unassigned, in the amount of \$2,512.

The Fiscal Officer made classification errors in posting receipts and expenditures. This caused the incorrect posting of receipts and disbursements as noted above. The audited financial statements and the Township's manual accounting system have been adjusted for the issues noted above.

**MORGAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 and 2015
(Continued)**

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

FINDING NUMBER 2016-004 (Continued)

Material Weakness (Continued)

The Fiscal Officer should review the Township handbook for guidance on the correct line items to post various receipts and disbursements for the Township to ensure the Township's financial statements are complete and accurate. The Fiscal Officer should also review Auditor of State Bulletin 2011-004 for Statement No. 54 of the Governmental Accounting Standards Board (GASB) for proper reporting of fund balances on the financial statements [see GASB Cod. 1800.165].

Official's Response: The Township is working to correct this issue.

FINDING NUMBER 2016-005

Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits subdivisions or taxing authorities from expending money unless it has been appropriated.

At December 31, 2016, expenditures exceeded appropriations, as follows:

Fund	Appropriation Authority	Expenditures	Variance
General	\$73,095	\$82,983	(\$9,888)
Gas Tax	68,157	90,701	(22,544)
Permissive MVL	0	9,885	(9,885)

At December 31, 2015, expenditures exceeded appropriations, as follows:

Fund	Appropriation Authority	Expenditures	Variance
General	\$21,873	\$49,825	(\$27,952)
Motor Vehicle License Tax	79,165	102,369	(23,204)
Gas Tax	98,000	112,199	(14,199)
Permissive MVL	0	2,814	(2,814)

Expenditures exceeding appropriations resulted in overspending and deficit fund balances in the General and Gasoline Tax Funds in 2016 and in the Motor Vehicle License and Gasoline Tax Funds in 2015.

The Fiscal Officer should compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Board of Trustees should adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should deny requests for payment when appropriations are not available

Official's Response: The Township is working to not spend more than is appropriated and/or to amend appropriations when more spending is necessary.

**MORGAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 and 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-006

Noncompliance

Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract 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.

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 §§ 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.

2. Blanket Certificates - Fiscal officers may prepare so-called "blanket" certificates not running beyond 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. Purchase orders may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

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.

100% percent of disbursements tested for 2015 were not certified by the Fiscal Officer at the time the commitment was incurred and there was no evidence that the Township followed the aforementioned exceptions.

Unless the exceptions noted above are used, 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.

**MORGAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 and 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-006 (Continued)

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

The Board of Trustees should 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 § 5705.41(D) requires to authorize disbursements. The Township Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of § 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Official's Response: The Township is working on this issue.

FINDING NUMBER 2016-007

Material Weakness

Supporting documentation should be attached to each voucher in order to ensure the correct disbursements are made to ensure the vouchers were not made more than once. For 2015, the Fiscal Officer failed to attach supporting documentation to the vouchers but kept invoices in separate files.

We noted thirty-three percent of the vouchers tested in 2015 were not supported by the original invoice. Fourteen percent of the vouchers tested in 2015 were paid from a statement. There was no support provided for EFT payments made throughout 2015.

Although, we were able to perform alternative procedures to gain assurances for these expenditures, this resulted in difficulty supporting the disbursement amounts and prevented absolute determination of these amounts as pertaining to proper public purpose, proper encumbering, ensuring the lowest price available was utilized, determining proper posting, and verifying against check images. This could also result in the Township paying an invoice more than once and an increase in audit time and fees due to our difficulty in locating support for disbursements.

The Fiscal Officer should monitor expenditures to ensure they are properly supported by invoices or other supporting documentation. In addition, the Fiscal Officer should attach all supporting documentation to each voucher package to ensure each transaction is paid only once.

Official's Response: This issue has been corrected.

FINDING NUMBER 2016-008

Noncompliance

Ohio Rev. Code § 505.262(A) authorizes a board of township 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 by a township shall be done pursuant to Ohio Rev. Code § 133.20. Furthermore, the Attorney General has provided his opinion that Ohio Rev. Code § 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. See 1996 Op. Atty Gen. No. 1996-048

**MORGAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 and 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-008 (Continued)

Noncompliance – Ohio Rev. Code § 505.262(A) (Continued)

The Township issued a promissory note in 2015 in the amount of \$86,939 for a backhoe that did not meet the requirements of Ohio Rev. Code § 133.20 in that it was a simple bank loan that granted a security interest in the property purchased. In addition, the Township had an installment loan secured by the acquired grader outstanding during the audit period that did not comply with the Ohio Rev. Code §§ 505.262(A) and 133.20.

The Board of Trustees should authorize only the issuance of notes pursuant to Ohio Rev. Code § 133.20.

Official's Response: Going forward the Township will follow the proper procedures.

FINDING NUMBER 2016-009

Noncompliance

Ohio Rev. Code § 5705.39 states, in part the total appropriations from each fund should not exceed the total estimated resources.

At December 31, 2015, the following funds had appropriations exceeding estimated resources as follows:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriation Authority</u>	<u>Variance</u>
Motor Vehicle License Tax	\$18,767	\$79,165	\$60,398
Gas Tax	72,312	98,000	25,688
Fire	39,978	40,289	311

This resulted in overspending public funds and negative fund cash balances.

The Fiscal Officer should monitor the approved appropriations to ensure they do not exceed estimated resources on the amended certificates.

Official's Response: The Township has resolved this issue.

**MORGAN TOWNSHIP
GALLIA COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Ohio Admin. Code §§117-2-01 (D)(3) and (5) for the Fiscal Officer failing to prepare monthly bank reconciliations. Ohio Admin. Code § 117-2-01(D)(4) for inadequate monitoring including: lack of segregation of duties, lack of Board review of financial information maintained, lack of bank reconciliations.	Partially Corrected	Township is on UAN and this issue has been resolved.
2014-002	Ohio Admin. Code § 117-2-02(A)(C)(1) for failure to maintain an adequate accounting system and integrate budgetary accounts into the accounting system.	Partially Corrected	Township is on UAN and this issue has been resolved.
2014-003	Ohio Rev. Code § 117.38 for failure to file annual reports with the Auditor of State within 60 days of the fiscal year end.	Corrected	2015 report was filed late due to new incoming fiscal officer. 2016 report was filed on time.
2014-004	Ohio Rev. Code §505.24(C) for failure to complete payroll certifications and time and effort documentation.	Corrected	We have fixed this issue and all paperwork is completed.
2014-005	Ohio Rev. Code § 505.262(A) for issuing unallowable debt	Not Corrected	Going forward township will follow proper procedures.
2014-006	Ohio Rev. Code § 507.09 for failure to follow payroll certifications and time and effort documentation not agreeing to how the Fiscal Officer was paid.	Corrected	We have fixed this issue and all paperwork is completed.
2014-007	Ohio Rev. Code § 5705.10(H) for negative fund balances.	Not Corrected	The Township has been cutting back on spending.
2014-008	Ohio Rev. Code § 5705.41(B) for expenditures exceeding appropriations.	Not Corrected	Township is working to not spend more than is appropriated and/or to update appropriations when more spending is necessary.
2014-009	Ohio Rev Code § 5705.41(D)(1) for improper encumbering.	Partially Corrected	We are working on this issue.
2014-010	Material weakness due to multiple adjustments required from audit procedures	Not Corrected	We are working to resolve this issue.
2014-011	Material weakness for lack of supporting documentation.	Partially Corrected	We are working on this issue.



Dave Yost • Auditor of State

MORGAN TOWNSHIP

GALLIA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 31, 2017**