



Mary Taylor, CPA  
Auditor of State



MORGAN TOWNSHIP  
GALLIA COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2006.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2005.....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	25

**This page intentionally left blank.**



**Mary Taylor, CPA**  
Auditor of State

Morgan Township  
Gallia County  
4240 Morgan Lane  
Vinton, Ohio 45686

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

November 15, 2007

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Morgan Township  
Gallia County  
4240 Morgan Lane  
Vinton, Ohio 45686

To the Board of Trustees:

We have audited the accompanying financial statements of Morgan Township, Gallia County, Ohio (the Township), as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

The accompanying financial statements for the years ended December 31, 2006 and 2005 present receipts and disbursements by the fund and combined fund type totals. Ohio Administrative Code Section 117-2-02 (A) requires governments to classify receipt and disbursement transactions.

Except regarding receipt and disbursement classifications, as described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e., major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, except for the omission of receipt and disbursement classifications as discussed in paragraph three above, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Morgan Township, Gallia County, Ohio, as of December 31, 2006 and 2005, and its unclassified combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As discussed in Note 7 to the financial statements, the Township had an overall deficit cash balance as of December 31, 2006, 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.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2007, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

November 15, 2007



**MORGAN TOWNSHIP  
GALLIA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Balance January 1	Receipts	Disbursements	Balance December 31
Funds:				
General Fund	(\$12,306)	\$42,387	\$46,066	(\$15,985)
Special Revenue Funds:				
Motor Vehicle License Tax	80	18,579	17,147	1,512
Gasoline Tax	(826)	94,608	100,963	(7,181)
Fire	18,757	10,470	9,732	19,495
Total Special Revenue Funds	18,011	123,657	127,842	13,826
<b>Total All Funds</b>	<b>\$5,705</b>	<b>\$166,044</b>	<b>\$173,908</b>	<b>(\$2,159)</b>

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

**MORGAN TOWNSHIP  
GALLIA COUNTY**

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

	Balance January 1	Receipts	Disbursements	Balance December 31
Funds:				
General Fund	(\$13,426)	\$38,456	\$37,336	(\$12,306)
Special Revenue Funds:				
Motor Vehicle License Tax	1,332	15,564	16,816	80
Gasoline Tax	1,417	82,273	84,516	(826)
Fire	20,347	6,672	8,262	18,757
Total Special Revenue Funds	23,096	104,509	109,594	18,011
<b>Total All Funds</b>	<b>\$9,670</b>	<b>\$142,965</b>	<b>\$146,930</b>	<b>\$5,705</b>

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

**MORGAN TOWNSHIP  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

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

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

**B. Accounting Basis**

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

The Township did not classify its receipts or disbursements in the accompanying financial statements. This is a material departure from the requirements of Ohio Administrative Code Sections 117-2-02(A) and 117-5-11. These Sections require classifying receipts and disbursements.

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

**C. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than 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 to pay for constructing, maintaining, and repairing Township roads.

**MORGAN TOWNSHIP  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. The Township did not use the encumbrance method of accounting.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

**E. 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.

**2. Equity in Pooled Cash**

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

	<u>2006</u>	<u>2005</u>
Demand deposits	(\$2,159)	\$5,705

**MORGAN TOWNSHIP  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$38,420	\$42,387	\$3,967
Special Revenue	111,924	123,657	11,733
Total	\$150,344	\$166,044	\$15,700

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$34,575	\$46,066	(\$11,491)
Special Revenue	130,695	127,842	2,853
Total	\$165,270	\$173,908	(\$8,638)

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$44,026	\$38,456	(\$5,570)
Special Revenue	147,230	104,509	(42,721)
Total	\$191,256	\$142,965	(\$48,291)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$33,183	\$37,336	(\$4,153)
Special Revenue	133,731	109,594	24,137
Total	\$166,914	\$146,930	\$19,984

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund, Motor Vehicle License Tax Fund, and Gasoline Tax Fund by \$11,491, \$748, and \$31,860 respectively for the year ended December 31, 2006 and in the General Fund, Motor Vehicle License Tax Fund, Gasoline Tax Fund and Fire Fund by \$4,153, \$4,516, \$9,366, and \$2,381 respectively for the year ended December 31, 2005. Also contrary to Ohio law, at December 31, 2006, the General Fund and Gasoline Tax Fund had deficit cash balances of \$15,985 and \$7,181 respectively and at December 31, 2005, the General Fund and Gasoline Tax Fund had deficit cash balances of \$12,306 and \$826 respectively. Also contrary to Ohio law, the Township had estimated receipts that exceeded actual receipts and appropriations that exceeded actual resources by \$40,400 in a CDBG Fund for the year ended December 31, 2005 for which there were no actual receipts or disbursements.

**MORGAN TOWNSHIP  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**3. Budgetary Activity (Continued)**

Similarly, the Township had estimated receipts that exceeded actual receipts and appropriations that exceeded actual resources by \$14,484 in a FEMA Fund for the year ended December 31, 2006 for which there were no actual receipts and disbursements. Lastly, the Township had estimated receipts that exceeded actual receipts by \$1,580 and appropriations that exceeded actual resources by \$1,482 at December 31, 2006 in the Fire Fund.

**4. Property Tax**

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.

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

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

**5. Retirement System**

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

For 2006 and 2005, OPERS members contributed 9% and 8.5%, respectively, of their gross salaries and the Township contributed an amount equaling 13.7% and 13.55%, respectively, of participants' gross salaries. The Township has not paid all contributions required through December 31, 2006.

**6. 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.

**MORGAN TOWNSHIP  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**6. Risk Management (Continued)**

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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). 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 Coverage

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2006 and 2005.

**MORGAN TOWNSHIP  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**6. Risk Management (Continued)**

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$ 32,031,312	\$ 30,485,638
Liabilities	<u>(11,443,952)</u>	<u>(12,344,576)</u>
Retained Earnings	<u>\$ 20,587,360</u>	<u>\$ 18,141,062</u>
<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$ 10,010,963	\$ 9,177,796
Liabilities	<u>(676,709)</u>	<u>(1,406,031)</u>
Retained Earnings	<u>\$ 9,334,254</u>	<u>\$ 7,771,765</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$8,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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>		
2004	\$	3,608
2005	\$	4,039
2006	\$	3,993

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



**MORGAN TOWNSHIP  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**7. Deficit Fund Balance**

At December 31, 2006, the Township had deficit cash fund balances of \$15,985 in the General Fund and \$7,181 in the Gasoline Tax Fund. The Township had a total deficit cash balance of \$2,159 at December 31, 2006. As of the date of this report, the Township has not taken any steps to reduce the negative fund balances.

**8. Restatement of Balances**

The January 1, 2005 balances were restated due to errors noted as follows:

Fund	12/31/2004 Audited Balance	1/1/2005 Restated Balance	Restatement Amount
General	\$ (11,342)	\$ (13,426)	\$ (2,084)
Gasoline Tax	6,062	1,417	(4,645)

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Morgan Township  
Gallia County  
4240 Morgan Lane  
Vinton, Ohio 45686

To the Township Board of Trustees:

We have audited the financial statements of Morgan Township, Gallia County, Ohio (the Township), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated November 15, 2007, wherein we noted the Township did not classify receipts and disbursements in their financial statements and was experiencing financial difficulty. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2006-006 through 2006-009.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding numbers 2006-006 through 2006-008 are also material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated November 15, 2007.

### **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, providing an opinion 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 that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2006-001 through 2006-009.

We did note certain noncompliance or other matters that we reported to the Township's management in a separate letter dated November 15, 2007.

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.

We intend this report solely for the information and use of the management and the Board of Trustees. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

November 15, 2007

**MORGAN TOWNSHIP  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005**

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

**FINDING NUMBER 2006-001**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.10(H) requires that money paid into a fund must be used only for the purposes for which such fund has been established.

At December 31, 2006, the Township had deficit cash fund balances of \$15,985 in the General Fund and \$7,181 in the Gasoline Tax Fund. The Township had a total deficit cash balance of \$2,159 at December 31, 2006. At December 31, 2005, the Township had deficit cash fund balances of \$12,306 in the General Fund and \$826 in the Gasoline Tax Fund.

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

We recommend that money paid into a fund be used only for the 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 or increase revenue or both.

**Client Response:** We have an opinion from former prosecutor Brent Saunders about an estimated \$11,000 that belongs in the General Fund from the Fire Fund and needs corrected. Plus better accounting and a visiting clerk is going to help.

**FINDING NUMBER 2006-002**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon the determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Ohio Rev. Code Section 5705.36(A)(3) provides that an increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. Ohio Rev. Code Section 5705.36(A)(4) provides that a reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

Estimated receipts exceeded actual receipts causing total appropriations to exceed the beginning balance plus actual receipts (actual resources) at December 31, 2006 as follows:

Fund	Estimated Receipts	Actual Receipts	Variance	Available Resources	Appropriations	Variance
CDBG	\$ 40,400	\$ 0	\$ (40,400)	\$ 0	\$ 40,400	\$ (40,400)
Fire Fund	12,050	10,470	(1,580)	29,227	30,709	(1,482)

**MORGAN TOWNSHIP  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

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

**FINDING NUMBER 2006-002 (Continued)**

**Noncompliance Citation – Ohio Rev. Code Section 5705.36(A)(2) (Continued)**

Estimated receipts exceeded actual receipts causing total appropriations to exceed the beginning balance plus actual receipts at December 31, 2005 as follows:

<u>Fund</u>	<u>Estimated Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>	<u>Available Resources</u>	<u>Appropriations</u>	<u>Variance</u>
FEMA	\$ 14,484	\$ 0	\$ (14,484)	\$ 0	\$ 14,484	\$ (14,484)

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

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

**Client Response:** We are waiting to go on UAN and that will take care of this.

**FINDING NUMBER 2006-003**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources.

Appropriations exceeded estimated resources in the Gasoline Tax Fund between January 2005 through July 2005 as follows:

<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
\$ 75,173	\$ 88,777	\$ (13,604)

Allowing appropriations to exceed estimated resources could lead to deficit balances as more can be expended than received.

We recommend the Township monitor annual appropriations and estimated resources to ensure that the level of appropriation does not exceed estimated resources.

**Client Response:** We are going on UAN and again I believe that will correct this.

**MORGAN TOWNSHIP  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

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

**FINDING NUMBER 2006-004**

**Noncompliance Citation**

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

Expenditures exceeded appropriations at December 31, 2006 in the following funds:

Fund	Appropriations	Expenditures	Variance
General	\$ 34,575	\$ 46,066	\$ (11,491)
Motor Vehicle License Tax	16,399	17,147	(748)
Gasoline Tax	69,103	100,963	(31,860)

Expenditures exceeded appropriations at December 31, 2005 in the following funds:

Fund	Appropriations	Expenditures	Variance
General	\$ 33,183	\$ 37,336	\$ (4,153)
Motor Vehicle License Tax	12,300	16,816	(4,516)
Gasoline Tax	75,150	84,516	(9,366)
Fire	5,881	8,262	(2,381)

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

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

**Client Response:** We are waiting to go on UAN and that will correct this.

**FINDING NUMBER 2006-005**

**Noncompliance Citation**

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

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

MORGAN TOWNSHIP  
GALLIA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005  
(Continued)

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

FINDING NUMBER 2006-005 (Continued)

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

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 the 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 Certificate** – Fiscal Officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Fiscal Officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

One hundred percent of the transactions tested in 2006 and 2005 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. Failure to properly certify the availability of funds resulted in overspending funds and negative cash fund balances.

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 the Fiscal Officer certify that the 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.



**MORGAN TOWNSHIP  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

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

**FINDING NUMBER 2006-005 (Continued)**

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

We recommend the Township certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**Client Response:** We are planning to go on UAN, which I am told will require/and do purchase orders.

**FINDING NUMBER 2006-006**

**Noncompliance Citation – Material Weakness**

Ohio Admin. Code Section 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.

Per Ohio Admin. Code Section 117-2-02(D), accounting records that can help achieve these objectives include the following:

1. 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.
2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund.
3. Appropriation ledger, which assembles and classifies disbursements into separate accounts, for at a minimum, each account listed in the appropriation resolution.
4. In addition, all local public offices should maintain or provide a report similar to the following accounting records:
  - a. Payroll records including:
    - i. W-2 forms, W-4 forms and other withholding records and authorizations;
    - ii. Payroll journal that records, assembles and classifies by pay period the name of employee, social security number, hours worked, wage rates, pay date, withholdings by type, net pay, and other compensation paid to an employee (such as a termination payment), and the fund and account charged for the payments;
    - iii. Check register that includes, in numerical sequence, the check number, payee, net amount, and the date;
    - iv. Information regarding non-monetary benefits such as car usage and life insurance; and
    - v. Information, by employee, regarding leave balances and usage.

**MORGAN TOWNSHIP  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

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

**FINDING NUMBER 2006-006 (Continued)**

**Noncompliance Citation – Material Weakness – Ohio Admin. Code Section 117-2-02(A) (Continued)**

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.

Ohio Rev. Code Section 117.38 states that cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. These reports must be filed on forms prescribed by the Auditor of State. Any public office which does not file the report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfilled, not to exceed seven hundred fifty dollars. The report shall contain the following: 1) amount of collections and receipts, and accounts due from each source; 2) amount of expenditures for each purpose; 3) income of any public service industry that the entity owns or operates, as well as the cost of ownership or operation; and 4) amount of public debt of each taxing district, the purpose of the debt, and how the debt will be repaid. Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

During 2006 and 2005, the Township maintained a cash journal but the cash journal was not reconciled with the bank balances and did not include all receipt and disbursement transactions. Furthermore, a receipts ledger and appropriation ledger was maintained but those ledgers did not agree to the cash journal. Additionally, the receipts ledger did not include receipt numbers and the appropriation ledger did not include encumbrances, since the Township did not follow the encumbrance method of accounting. As a result, the Township was unable to classify receipts by source or disbursements by purpose for December 31, 2006 and 2005. Lastly, the Township did not file the required annual reports for 2006 and 2005, as required by Ohio Rev. Code Section 117.38.

We recommend the Township properly maintain the accounting records and reconcile the cash journal to the bank balances and to the receipts ledger and appropriation ledger monthly. Also, we recommend the Township file annual reports with the Auditor of State within 60 days of the fiscal year end and also publish notice in the local newspaper stating the financial reports are available for public inspection.

**Client Response:** We are wanting to go on UAN.

**FINDING NUMBER 2006-007**

**Noncompliance Citation – Material Weakness**

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

The size of the Township's staff did not allow for an adequate segregation of duties; the 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.

**MORGAN TOWNSHIP  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

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

**FINDING NUMBER 2006-007 (Continued)**

**Noncompliance Citation – Material Weakness – Ohio Admin. Code Section 117-2-01(D)(4)  
(Continued)**

The Trustees review of financial reports was limited. The Fiscal Officer provided the cash journal, revenue ledger and appropriation ledger to the Trustees for their review, but since the cash journal was not reconciled to the bank balances and the receipt and appropriation ledgers were incomplete, simply providing these items did not provide any reliance that internal controls were in place. 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.

We recommend the Board of Trustees review detailed financial reports, budget versus actual information, and bank reconciliations on a monthly basis. This should be documented in the minute record and/or initialed and dated as reviewed. 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.

**Client Response:** We are wanting to go on UAN and will have Trustees initial.

**FINDING NUMBER 2006-008**

**Noncompliance Citation – Material Weakness**

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

The Fiscal Officer did not prepare monthly bank reconciliations to reconcile the bank statements to the cash journal. Not performing these monthly reconciliations resulted in errors that went undetected by the Fiscal Officer. This resulted in the Township financial records being inaccurate and carrying incorrect fund balances.

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

**Client Response:** We are wanting to go on UAN and get help from a visiting clerk.

**MORGAN TOWNSHIP  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

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

**FINDING NUMBER 2006-009**

**Noncompliance Citation/Significant Deficiency – Finding for Adjustment**

Ohio Rev. Code Section 505.24(C) states the amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid from the township general fund or from such funds in proportions as the board may specify by resolution. When paid by salary, this Section does not prescribe a “documentation of time spent” requirement.

Due to the Township Trustees’ duties being, at least in part, administrative in nature, that portion of their salaries related to their administrative duties be paid from the General Fund. Ohio Attorney General Opinion No. 2004-036, effective October 19, 2004, requires that for salaries not paid for from the General Fund, trustees must establish administrative procedures to document the proportionate amount chargeable to other Township funds based on the kinds of services rendered. The “administrative procedures” can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on Township business and the type of service performed, in a manner similar to trustees per diem compensation.

Furthermore, the law prescribes that the Fiscal Officer should be compensated entirely from the General Fund.

The Trustees were paid one month’s salary from the General Fund in 2005 with the remainder paid from the Gasoline Tax Fund and the Motor Vehicle License Tax Fund. Timesheets were kept to support being paid from the Gasoline Tax and Motor Vehicle License Tax Funds showing that one month’s salary from the General Fund was reasonable. However, in 2006, the Trustees were paid entirely from the Gasoline Tax Fund. Since some of their statutory duties include General Fund functions (such as attending Township Meetings, approving Township bills, etc.), the Trustees should have been paid at least one month’s salary from the General Fund. One month’s salary for the three Trustees amounted to \$1,753.

The Fiscal Officer was compensated entirely from the General Fund in 2005; however, in 2006, one month’s compensation was paid from the Motor Vehicle License Tax Fund in the amount of \$789.

In accordance with the foregoing facts, a finding for adjustment is hereby issued against the General Fund, in favor of the Gasoline Tax Fund, in the amount of \$1,753 for the 2006 Trustees’ compensation and against the General Fund, in favor of the Motor Vehicle License Tax Fund, in the amount of \$789 for the 2006 Fiscal Officer’s compensation. This adjustment has been made to the audited financial statements. The Township made this adjustment to their cash journal on December 7, 2007.

We recommend the Trustees be paid for the administrative portion of their duties from the General Fund and the Fiscal Officer be fully compensated from the General Fund.

**Client Response:** Fiscal Officer was not aware of the amounts of salary needed to be paid out of the funds. I will, however, correct this in the future. We will also be going on UAN in 2008 which will correct this.

**MORGAN TOWNSHIP  
GALLIA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2004-001	A material citation was issued under Ohio Rev. Code Section 5705.10: for deficit fund balances.	No.	Not Corrected: Repeated in the accompanying Schedule of Findings as Finding Number 2006-001.
2004-002	A material citation was issued under Ohio Rev. Code Section 5705.36: for actual receipts exceeding estimated receipts.	No	Partially Corrected: Cited same code section for estimated receipts exceeding actual receipts in the accompanying Schedule of Findings as Finding Number 2006-002.
2004-003	A material citation was issued under Ohio Rev. Code Section 5705.39: for appropriations exceeding estimated resources.	No	Not Corrected: Repeated in the accompanying Schedule of Findings as Finding Number 2006-003.
2004-004	A material citation was issued under Ohio Rev. Code Section 5705.41(D): for the encumbrance method of accounting not being followed.	No	Not Corrected: Repeated in the accompanying Schedule of Findings as Finding Number 2006-005.
2004-005	A material citation was issued under Ohio Rev. Code Section 5705.41(B): for expenditures exceeding appropriations	No	Not Corrected: Repeated in the accompanying Schedule of Findings as Finding Number 2006-004.
2004-006	A reportable condition was issued regarding the Fiscal Officer not preparing monthly bank reconciliations.	No	Not Corrected: Repeated in the accompanying Schedule of Findings as Finding Number 2006-008.
2004-007	A reportable condition was issued regarding the Trustees not receiving monthly financial reports, and monthly bank reconciliations.	No	Not Corrected: Repeated in the accompanying Schedule of Findings as Finding Number 2006-007.





**Mary Taylor, CPA**  
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  
MARCH 13, 2008**