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Certified Public Accountants, A.C.

**MORGAN TOWNSHIP  
BUTLER COUNTY  
Regular Audit**

**For the Years Ended December 31, 2016 and 2015**

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# Dave Yost • Auditor of State

Board of Trustees  
Morgan Township  
3141 Chapel Road  
Okeana, Ohio 45053

We have reviewed the *Independent Auditor's Report* of Morgan Township, Butler County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2015 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

## **Finding for Recovery 1:**

**State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951)**, provides that expenditures made by a governmental unit should serve a public purpose.

The Morgan Township Board of Trustees approved a rate increase for Kristopher Prosser, Fire Department, to \$15.00 per hour at their July 12, 2016 Board meeting. The check dated August 25, 2016 for the pay period covering August 1, 2016 to August 15, 2016 included 61.5 hours paid at the old rate of \$14. Therefore, Mr. Prosser was underpaid \$61.50. Mr. Prosser received retroactive pay on his September 8, 2016 check of \$61.50 to make his pay current. This retroactive pay was not removed from the accounting system and Mr. Prosser was paid \$61.50 for his semi-monthly payroll checks from October 25, 2016 through January 10, 2017. Mr. Prosser should not have received this retroactive pay after the September 8, 2016 check and was overpaid a total of \$430.50.

The Board of Trustees approved a rate increase for Kristopher Prosser to \$16.80 per hour at their November 22, 2016 Board meeting. The checks dated December 27, 2016 and January 10, 2017 covering December 1, 2016 to December 31, 2016 included 100 hours paid at the old rate of \$16.50. Therefore, Mr. Prosser was underpaid \$30. Mr. Prosser received retroactive pay on his January 20, 2017 check of \$30.00 to make his pay current. This retroactive pay was not removed from the accounting system and Mr. Prosser was paid \$30.00 for his semi-monthly payroll direct deposits from February 3, 2017 through March 31, 2017. Mr. Prosser should not have received this retroactive pay after the January 20, 2017 check and was overpaid a total of \$150.00.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Kristopher Prosser in the total amount of \$580 and in favor of Morgan Township, Butler County's Fire Fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex. Rel. *Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Township Officers signed the warrants resulting in improper payments. The 2017 electronic funds transfers for the payroll direct deposits were initiated by the Fiscal Officer. Township Trustees Darryl Huff, Thomas Brucker, and Brett Updike and their bonding company, Ohio Plan Risk Management, Inc. and Township Fiscal Officer Connie Lovins Reinhardt, and her bonding company West American Insurance Company are jointly and severally liable in the amount of \$430 and in favor of Morgan Township, Butler County's Fire Fund. In addition, Township Fiscal Officer Connie Lovins Reinhardt and her bonding company West American Insurance Company are jointly and severally liable in the amount of \$150 and in favor of Morgan Township, Butler County's Fire Fund for the 2017 electronic funds transfers.

On July 18, 2017 the Morgan Township Trustees approved Resolution 80-2017. This Resolution allows Mr. Prosser to repay \$211.50 with his final paycheck on July 21, 2017. The remaining balance of \$369 is to be paid in full by November 7, 2017 by either a one-time payment of \$369 or four payments of \$92.25, with the payments being due on August 7, 2017; September 6, 2017; October 6, 2017; and November 7, 2017.

On July 21, 2017, Mr. Prosser repaid \$211. This amount was deducted on his final paycheck. Mr. Prosser's remaining finding for recovery is in the amount of \$369 and is in favor of Morgan Township, Butler County's Fire Fund.

**Finding for Recovery 2:**

**State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951)**, provides that expenditures made by a governmental unit should serve a public purpose.

The Morgan Township Board of Trustees approved a rate increase for Christopher Johns, Fire Department, to \$15.00 per hour at their July 12, 2016 Board meeting. The check dated August 25, 2016 for the pay period covering August 1, 2016 to August 15, 2016 included 34.25 hours paid at the old rate of \$14. Therefore, Mr. Johns was underpaid \$34.25. Mr. Prosser received retroactive pay on his September 8, 2016 check of \$34.25 to make his pay current. This retroactive pay was not removed from the accounting system and Mr. Johns was paid \$34.25 for his semi-monthly payroll checks from October 11, 2016 through January 10, 2017. Mr. Johns should not have received this retroactive pay after the September 8, 2016 check and was overpaid a total of \$205.50.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Christopher Johns in the amount of \$205 and in favor of Morgan Township, Butler County's Fire Fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Township Officers signed the warrants resulting in improper payments. Township Trustees Darryl Huff, Thomas Brucker, and Brett Updike and their bonding company, Ohio Plan Risk Management, and Township Fiscal Officer Connie Lovins Reinhardt, and her bonding company, West American Insurance Company, are jointly and severally liable in the amount of \$205 and in favor of Morgan Township, Butler County's Fire Fund.

On July 18, 2017 the Morgan Township Trustees approved Resolution 83-2017. This Resolution allows Mr. Johns to make payment of \$205 to be paid in full by November 7, 2017 by either a one-time payment of \$205 or four payments of \$51.25, with the payments being due on August 7, 2017; September 6, 2017; October 6, 2017; and November 7, 2017.

Mr. Johns has agreed to make a one-time payment of \$205 by November 7, 2017.

**Finding for Recovery 3:**

**State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951)**, provides that expenditures made by a governmental unit should serve a public purpose.

Nathaniel Pierani was paid for 62 hours at a rate of \$12.30 of regular pay on his November 8, 2016 pay check covering October 16, 2016 to October 31, 2016. Mr. Pierani's time card for this period states that he worked a total of 74 hours. Therefore, Mr. Pierani was underpaid by 12 hours and the amount of \$147.60. Mr. Pierani received retroactive pay on his November 22, 2016 check of \$147.60 to make his pay current. This retroactive pay was not removed from the accounting system and Mr. Pierani was paid \$147.60 for his semi-monthly payroll checks from December 13, 2016 through January 10, 2017. Mr. Pierani should not have received this retroactive pay after the November 22, 2016 check and was overpaid a total of \$442.80.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Nathaniel Pierani in the amount of \$442 and in favor of Morgan Township, Butler County's Fire Fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Township Officers signed the warrants resulting in improper payments. Township Trustees Darryl Huff, Thomas Brucker, and Brett Updike and their bonding company, Ohio Plan Risk Management, Inc. and Township Fiscal Officer Connie Lovins Reinhardt, and her bonding company West American Insurance Company, are jointly and severally liable in the amount of \$442 and in favor of Morgan Township, Butler County's Fire Fund.

On July 18, 2017 the Morgan Township Trustees approved Resolution 82-2017. This Resolution allows Mr. Pierani to make payment of \$442 to be paid in full by November 7, 2017 by either a one-time payment of \$442 or four payments of \$110.50, with the payments being due on August 7, 2017; September 6, 2017; October 6, 2017; and November 7, 2017.

On August 7, 2017, Mr. Pierani paid \$111 towards his finding for recovery. Mr. Pierani's remaining finding for recovery is in the amount of \$331 and is in favor of the Morgan Township, Butler County's Fire Fund.

**Finding for Recovery 4 – Repaid Under Audit:**

**State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951)**, provides that expenditures made by a governmental unit should serve a public purpose.

Jeremy Witte was paid for 12 hours at a rate of \$12.60 of regular pay on his November 8, 2016 pay check covering October 16, 2016 to October 31, 2016. Mr. Witte's time card for this period states that he worked a total of 24 hours. Therefore, Mr. Witte was underpaid by 12 hours and the amount of \$151.20. Mr. Witte received retroactive pay on his November 22, 2016 check of \$151.20 to make his pay current. This retroactive pay was not removed from the accounting system and Mr. Witte was paid \$151.20 for his semi-monthly payroll checks from December 13, 2016 through January 10, 2017. Mr. Witte should not have received this retroactive pay after the November 22, 2016 check and was overpaid a total of \$453.60.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Jeremy Witte in the amount of \$453 and in favor of Morgan Township, Butler County's Fire Fund.

On July 18, 2017 the Morgan Township Trustees approved Resolution 81-2017. This Resolution allows Mr. Witte to make payment of \$453 to be paid in full by November 7, 2017 by either a one-time payment of \$453 or four payments of \$113.25, with the payments being due on August 7, 2017; September 6, 2017; October 6, 2017; and November 7, 2017.

On August 4, 2017 Mr. Witte paid the full amount of \$453 of his finding for recovery. His finding for recovery is considered to be paid in full.

**Finding for Recovery 5:**

**State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951)**, provides that expenditures made by a governmental unit should serve a public purpose.

The Morgan Township Board of Trustees approved a rate increase for Steven May, Fire Department, to \$15.15 per hour at their October 28, 2014 Board meeting effective November 1, 2014. The check dated November 25, 2014 for the pay period covering November 1, 2014 to November 15, 2014 included 46.75 hours paid at the old rate of \$14.15. Therefore, Mr. May was underpaid \$46.75. Mr. May received retroactive pay on his December 9, 2014 check of \$46.75 to make his pay current. This retroactive pay was not removed from the accounting system and Mr. May was paid \$46.75 for his semi-monthly payroll checks from December 23, 2014 through May 26, 2015. Mr. May should not have received this retroactive pay after the December 9, 2014 check and was overpaid a total of \$514.25.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Steven May in the amount of \$514 and in favor of Morgan Township, Butler County's Fire Fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Township Officers signed the warrants resulting in improper payments (Nancy Poe did not sign all warrants). Township Trustees Darryl Huff, and Brett Updike and their bonding company, Ohio Plan Risk Management, Inc. and Former Township Fiscal Officer Joseph Spade, and his bonding company Travelers Casualty and Surety Company of America are jointly and severally liable in the amount of \$514 and in favor of Morgan Township, Butler County's Fire Fund. Township Trustee Nancy Poe and her bonding company Ohio Plan Risk Management, Inc. are jointly and severally liable in the amount of \$327 and in favor of Morgan Township, Butler County's Fire Fund.

On July 18, 2017 the Morgan Township Trustees approved Resolution 85-2017. This Resolution allows Mr. May to make payment of \$514 to be paid in full by November 7, 2017 by either a one-time payment of \$514 or four payments of \$128.50, with the payments being due on August 7, 2017; September 6, 2017; October 6, 2017; and November 7, 2017.

**Finding for Recovery 6:**

**State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951)**, provides that expenditures made by a governmental unit should serve a public purpose.

The Morgan Township Board of Trustees approved a rate increase for Anthony Shroyer, Fire Department, to \$13.15 per hour at their October 28, 2014 Board meeting effective November 1, 2014. The check dated November 25, 2014 for the pay period covering November 1, 2014 to November 15, 2014 included 96 hours paid at the old rate of \$12.15. Therefore, Mr. Shroyer was underpaid \$96.00. Mr. Shroyer received retroactive pay on his December 9, 2014 check of \$96.00 to make his pay current. This retroactive pay was not removed from the accounting system and Mr. Shroyer was paid \$96.00 for his semi-monthly payroll checks from December 23, 2014 through May 12, 2015. Mr. Shroyer should not have received this retroactive pay after the December 9, 2014 check and was overpaid a total of \$960.00.



In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Anthony Shroyer in the amount of \$960 and in favor of Morgan Township, Butler County's Fire Fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex. Rel. Village of Linndale v. Masten (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Township Officers signed the warrants resulting in improper payments (Nancy Poe did not sign all warrants). Township Trustees Darryl Huff, and Brett Updike and their bonding company Ohio Plan Risk Management, Inc. and Former Township Fiscal Officer Joseph Spade, and his bonding company Travelers Casualty and Surety Company of America are jointly and severally liable in the amount of \$960 and in favor of Morgan Township, Butler County's Fire Fund. Township Trustee Nancy Poe and her bonding company Ohio Plan Risk Management, Inc. are jointly and severally liable in the amount of \$576 and in favor of Morgan Township, Butler County's Fire Fund.

On July 18, 2017 the Morgan Township Trustees approved Resolution 84-2017. This Resolution allows Mr. Shroyer to make payment of \$960 to be paid in full by November 7, 2017 by either a one-time payment of \$960 or four payments of \$240, with the payments being due on August 7, 2017; September 6, 2017; October 6, 2017; and November 7, 2017.

On August 7, 2017, Mr. Shroyer paid \$240 towards his finding for recovery. Mr. Shroyer's remaining finding for recovery amount is \$720 and is in favor of the Morgan Township, Butler County's Fire Fund.

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

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

Dave Yost  
Auditor of State

August 25, 2017

MORGAN TOWNSHIP  
BUTLER COUNTY

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## INDEPENDENT AUDITOR'S REPORT

June 23, 2017

Morgan Township  
Butler County  
3141 Chapel Road  
Okeana, Ohio 45053

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**, Butler County, (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 Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no 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.

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***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 Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 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 the Township 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 Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 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.



**Perry & Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

**MORGAN TOWNSHIP  
BUTLER COUNTY**

**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)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 250,713	\$ 944,722	\$ 1,195,435
Charges for Services	-	85,294	85,294
Licenses, Permits and Fees	44,276	300	44,576
Intergovernmental	161,010	280,018	441,028
Earnings on Investments	585	29	614
Miscellaneous	26,544	23,432	49,976
	<u>483,128</u>	<u>1,333,795</u>	<u>1,816,923</u>
<i>Total Cash Receipts</i>			
<b>Cash Disbursements</b>			
Current:			
General Government	435,106	13,920	449,026
Public Safety	-	784,857	784,857
Public Works	59,408	400,726	460,134
Health	41,820	-	41,820
Capital Outlay	26,171	466,934	493,105
	<u>562,505</u>	<u>1,666,437</u>	<u>2,228,942</u>
<i>Total Cash Disbursements</i>			
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(79,377)</u>	<u>(332,642)</u>	<u>(412,019)</u>
<b>Other Financing Receipts (Disbursements)</b>			
Sale of Capital Assets	24,050	139	24,189
Transfer In	-	258,258	258,258
Transfers Out	(258,258)	-	(258,258)
Advances In	-	2,500	2,500
Advances Out	(2,500)	-	(2,500)
	<u>(236,708)</u>	<u>260,897</u>	<u>24,189</u>
<i>Total Other Financing Receipts (Disbursements)</i>			
<i>Net Change in Fund Cash Balances</i>	<u>(316,085)</u>	<u>(71,745)</u>	<u>(387,830)</u>
<i>Fund Cash Balances, January 1</i>	<u>715,054</u>	<u>1,604,749</u>	<u>2,319,803</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	1,533,004	1,533,004
Assigned	86,977	-	86,977
Unassigned	311,992	-	311,992
	<u>398,969</u>	<u>1,533,004</u>	<u>1,931,973</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 398,969</u>	<u>\$ 1,533,004</u>	<u>\$ 1,931,973</u>

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

**MORGAN TOWNSHIP  
BUTLER COUNTY**

**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)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 250,357	\$ 931,948	\$ 1,182,305
Charges for Services	-	68,870	68,870
Licenses, Permits and Fees	38,253	-	38,253
Intergovernmental	96,555	113,170	209,725
Earnings on Investments	1,083	19	1,102
Miscellaneous	1,265	19,632	20,897
<i>Total Cash Receipts</i>	<u>387,513</u>	<u>1,133,639</u>	<u>1,521,152</u>
<b>Cash Disbursements</b>			
Current:			
General Government	420,060	12,352	432,412
Public Safety	-	742,039	742,039
Public Works	18,489	313,517	332,006
Health	37,893	-	37,893
Capital Outlay	-	61,347	61,347
<i>Total Cash Disbursements</i>	<u>476,442</u>	<u>1,129,255</u>	<u>1,605,697</u>
<i>Net Change in Fund Cash Balances</i>	(88,929)	4,384	(84,545)
<i>Fund Cash Balances, January 1</i>	<u>803,983</u>	<u>1,600,365</u>	<u>2,404,348</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	1,604,749	1,604,749
Assigned	5,813	-	5,813
Unassigned	708,881	-	708,881
<i>Fund Cash Balances, December 31</i>	<u>\$ 715,054</u>	<u>\$ 1,604,749</u>	<u>\$ 2,319,803</u>

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



**MORGAN TOWNSHIP  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015**

**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Morgan Township, Butler 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, fire protection and emergency medical services.

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

The Township participates in a public entity risk pool. Note 6 to the financial statements provides additional information for that 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:

***Road and Bridge Fund*** The road and bridge fund receives property tax money for constructing, maintaining, and repairing of roads within the Township.

***Fire District Fund*** This fund accounts for and reports proceeds from property taxes restricted for fire department and emergency services.

***EMS Special Levy Fund*** This fund accounts for and reports proceeds from property taxes restricted for life squad protection and emergency services personnel salaries.

**MORGAN TOWNSHIP  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 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 Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

***Budgetary Process***

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

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

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

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

A summary of 2016 and 2015 budgetary activity appears in Note 3.

***Deposits and Investments***

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

***Fund Balance***

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

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

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

**MORGAN TOWNSHIP  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015**

**Note 2 – Summary of Significant Accounting Policies (Continued)**

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

**Assigned** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by 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 – Budgetary Activity**

Budgetary activity for the year ending 2016 and 2015 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 344,750	\$ 507,178	\$ 162,428
Special Revenue	\$ 1,362,858	1,592,192	229,334
Total	\$ 1,707,608	\$ 2,099,370	\$ 391,762

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,144,042	\$ 907,740	\$ 236,302
Special Revenue	2,850,684	1,706,396	1,144,288
Total	\$ 3,994,726	\$ 2,614,136	\$ 1,380,590

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 430,000	\$ 387,513	\$ (42,487)
Special Revenue	\$ 1,088,000	1,133,639	45,639
Total	\$ 1,518,000	\$ 1,521,152	\$ 3,152

**MORGAN TOWNSHIP  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015**

**Note 3 – Budgetary Activity (Continued)**

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,233,983	\$ 482,255	\$ 751,728
Special Revenue	2,601,541	1,159,565	1,441,976
Total	\$ 3,835,524	\$ 1,641,820	\$ 2,193,704

**Note 4 – Deposits**

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

	2016	2015
Demand deposits	\$ 1,931,973	\$ 2,319,803
Total deposits	\$ 1,931,973	\$ 2,319,803

***Deposits***

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**Note 5 – 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.

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

**Note 6 - Risk Management**

***Risk Pool Membership***

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

**MORGAN TOWNSHIP  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015**

**Note 6 – Risk Management (Continued)**

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 and 2014 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2015 and 2014 (the latest information available).

	2015	2014
Cash and investments	\$ 14,643,667	\$ 14,830,185
Actuarial liabilities	(9,112,030)	(8,942,504)
Members' Equity	\$ 5,531,637	\$ 5,887,681

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. For 2016 and 2015 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 and 2015.

The remainder of the Township's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

**MORGAN TOWNSHIP  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015**

**Note 8 – Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes 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.

**Note 9 – Contingent Liabilities**

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



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1310 Market St., Suite 300  
Wheeling, WV 26003  
304.232.1358

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

June 23, 2017

Morgan Township  
Butler County  
3141 Chapel Road  
Okeana, Ohio 45053

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**, Butler County, (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 June 23, 2017, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### Internal Control Over Financial Reporting

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 a certain deficiency in internal control, described in the accompanying schedule of audit findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

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### **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 one instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of audit findings as item 2016-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 23, 2017.

### **Entity's Response to Findings**

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

### **Purpose of this Report**

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



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio



MORGAN TOWNSHIP  
BUTLER COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

FINDING NUMBER 2016-001

**Material Weakness/Noncompliance**

**Ohio Revised Code, Section 5705.10**, states, in part, all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. Furthermore, such monies shall only be used for the purpose for which such funds are established. Time spent should be carefully documented and verified as eligible for payment on the fund from which it is drawn. If circumstances are such that it is impossible to prorate employees' time, then none of their compensation may be paid from a fund other than the General Fund. Failure to adequately document time could result in restricted funds paying for work that is not within the restrictions placed on the funds.

The Fiscal Officer added a line on several pay periods entitled "Retro" for the amount of a prior pay period error. When these "Retro" pays were made, UAN automatically rolled them forward into future pay periods, resulting in multiple employee overpayments. The total overpayments to six individuals totaled \$3,156.65.

Lack of proper controls in payroll expenditures lead to payroll overpayments.

We recommend that the Township implement controls to ensure that all payroll expenditures have been properly documented, reviewed and approved.

**Management's Response** – The Fiscal Officer has taken the necessary steps to correct this problem and has initiated procedures to prevent a reoccurrence.

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**MORGAN TOWNSHIP  
BUTLER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2014-001	Posting Receipts, Disbursements and Fund Balance Classification	No	Partially Corrected; Repeated in Management Letter

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# Dave Yost • Auditor of State

**MORGAN TOWNSHIP**

**BUTLER 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  
SEPTEMBER 7, 2017**