



Dave Yost • Auditor of State



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Morgan Township
Ashtabula County
PO Box 245
Rock Creek, Ohio 44084

We have performed the procedures enumerated below, which were agreed to by the Board of Trustees and the management of Morgan Township (the Township), on the receipts, disbursements and balances recorded in the Townships cash basis accounting records for the years ended December 31, 2017 and 2016 and certain compliance requirements related to those transactions and balances, included in the information provided to us by the management of the Township. The Township is responsible for the receipts, disbursements and balances recorded in the cash basis accounting records for the years ended December 31, 2017 and 2016 and certain compliance requirements related to these transactions and balances included in the information provided to us by the Township. The sufficiency of the procedures is solely the responsibility of the parties specified in this report.

Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

This report only describes exceptions exceeding \$10.

Cash and Investments

1. We recalculated the December 31, 2017 and December 31, 2016 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2016 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2015 balances in the prior year audited statements. We found no exceptions. We also agreed the January 1, 2017 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2016 balances in the Fund Ledger Report. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2017 and 2016 fund cash balances reported in the Fund Status Report. The amounts agreed.
4. We confirmed the December 31, 2017 bank account balances with the Township's financial institution. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the December 31, 2017 bank reconciliation and noted a \$33 exception in the Trust Fund in which the confirmed balance was less than the amount appearing in the December 31, 2017 bank reconciliation due to over-posting of investment earnings
5. We selected all reconciling debits (such as outstanding checks) from the December 31, 2017 bank reconciliation:
 - a. We traced each debit to the subsequent January bank statement. We found no exceptions.
 - b. We traced the amounts and dates to the check register, to determine the debits were dated prior to December 31. There were no exceptions.

Cash and Investments (Continued)

6. We selected all reconciling credits (such as deposits in transit) from the December 31, 2017 bank reconciliation:
 - a. We traced each credit to the subsequent January bank statement. We found no exceptions.
 - b. We agreed the credit amounts to the Receipts Register. Each credit was recorded as a December receipt for the same amount recorded in the reconciliation.
7. We inspected investments held at December 31, 2017 and December 31, 2016 to determine that they:
 - a. Were of a type authorized by Ohio Rev. Code Sections 135.13, 135.14 or 135.144. We found no exceptions
 - b. Mature within the prescribed time limits noted in Ohio Rev. Code Section 135.13 or 135.14. We noted no exceptions.

Property Taxes, Intergovernmental and Other Confirmable Cash Receipts

1. We haphazardly selected a property tax receipt from one *Statement of Semiannual Apportionment of Taxes* (the Statement) for 2017 and one from 2016:
 - a. We traced the gross receipts from the *Statement* to the amount recorded in the Revenue Ledger. Except for Cemetery receipts which were posted at net rather than gross for both years, the amounts agreed. Property Taxes should be posted gross of all deductions and then any deductions for Auditor/Treasurers and other fees posted as a memo expense.
 - b. We inspected the Revenue Ledger to confirm the receipt was allocated to the proper funds as required by Ohio Rev. Code Sections 5705.05-.06 and 5705.10. We found no exceptions.
 - c. We inspected the Revenue Ledger to confirm whether the receipt was recorded in the proper year. The receipt was recorded in the proper year.
2. We inspected the Revenue Ledger to determine whether it included two real estate tax receipts for 2017 and 2016. The Revenue Ledger included the proper number of tax receipts for each year.
3. We haphazardly selected all receipts from the State Distribution Transaction Lists (DTL) from 2017 and all from 2016. We also haphazardly selected five receipts from the County Auditor's Payment Register from 2017 and five from 2016.
 - a. We compared the amount from the above reports to the amount recorded in the Revenue Ledger. The amounts agreed.
 - b. We inspected the Revenue Ledger to determine that these receipts were allocated to the proper fund(s). The 2016 and 2017 manufactured homes homestead receipts of \$268 and \$299, respectively, were posted in total to the General Fund, but should have been posted as follows: 2016 General \$17, Road & Bridge \$184, Cemetery \$13, and Fire \$54. 2017 General \$18, Road & Bridge \$206, Cemetery \$15, and Fire \$60. The Fiscal Officer made the corrections. In addition, the real estate homestead and rollback reimbursements were posted at net rather than gross. Homestead and rollback reimbursements should be posted gross of all deductions and then any deductions for other fees posted as a memo expense.
 - c. We inspected the Revenue Ledger to determine whether the receipts were recorded in the proper year. We found 2017 manufactured homes homestead revenue of \$133 was posted in 2018

Property Taxes, Intergovernmental and Other Confirmable Cash Receipts (Continued)

4. We confirmed the amounts paid from the Ohio Public Works Commission (OPWC) to the Township during 2017 with OPWC. We noted the following exceptions.
 - a. We inspected the Revenue Ledger to determine whether these receipts were allocated to the proper fund. We found an \$86,000 on-behalf payment of grant money and related expenditure were not posted to the accounting records of the Township.
 - b. We inspected the Revenue Ledger to determine whether the receipt was recorded in the proper year. We found the grant was not recorded on the Township books.

Over-The-Counter Cash Receipts

1. We haphazardly selected 10 over-the-counter cash receipts from the year ended December 31, 2016 (2017 over-the-counter receipts did not exceed 10% of all receipts) recorded in the duplicate cash receipts book and:
 - a. Agreed the receipt amount to the amount recorded in the Revenue Ledger. The amounts agreed.
 - b. Confirmed the amounts charged complied with rates in force during the period. We found no exceptions.
 - c. Inspected the Revenue Ledger to determine the receipt was posted to the proper funds, and was recorded in the proper year. We found a FEMA receipt of \$65,929 for a grant for SCBAs (air packs); and a State grant of \$1,350 for Fire Department training recorded as miscellaneous receipts that should have been recorded as intergovernmental receipts in the Fire Fund. We brought this to management's attention. However, because we did not inspect all receipts, our report provides no assurance regarding whether or not other similar errors occurred. See Compliance-Budgetary section Step 6 for requirement to establish a separate fund.

Debt

1. From the prior audit, we observed the following loans were outstanding as of December 31, 2015. These amounts agreed to the Townships January 1, 2016 balances on the summary we used in procedure 3.

Issue	Principal outstanding as of December 31, 2015:
OPWC Tisch Rd. Phase I Loan	\$54,017
2013 Mack Truck Loan	\$44,227

2. We inquired of management, and inspected the Revenue Ledger and Appropriation Ledger for evidence of debt issued during 2017 or 2016 or debt payment activity during 2017 or 2016. All debt agreed to the summary we used in procedure 3.
3. We obtained a summary of loan debt activity for 2017 and 2016 and agreed principal and interest payments from the related debt amortization schedules to the Motor Vehicle License, Gas Tax, and Road & Bridge Fund payments reported in the Appropriation Ledger. We also compared the date the debt service payments were due to the date the Township made the payments. Repayment of loan debt for the OPWC project loans was made from allowable funds (Motor Vehicle License, Gas Tax, and Road & Bridge); however, the accounts charged within those funds were incorrect. Repayment of debt should be made from the principal account within the above-mentioned funds, but repayment was made from contracted services and operating supplies accounts.

Debt (Continued)

4. We agreed \$71,495 of on-behalf debt proceeds from the OPWC debt documents to amounts recorded in the Receipt Register Report. The amounts did not agree. The loan proceeds and related expenditure were not posted to the accounting records of the Township. This activity should be reported in an OPWC Capital Project fund.
5. For new debt issued during 2017, we inspected the debt legislation, which stated the Township must use the proceeds to repay the OPWC loan for the Tisch Road Phase II project. We inspected the Appropriation Ledger and observed the Township began repaying the Tisch Road Phase II loan in December 2017. The outstanding balance of this loan at December 31, 2017 was \$67,921.

Payroll Cash Disbursements

1. We haphazardly selected one payroll check for five employees from 2017 and one payroll check for five employees from 2016 from the Employee Wage Base Detail Report and:
 - a. We compared the hours and pay rate, or salary recorded in the Employee Wage Base Detail Report to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). We found no exceptions.
 - b. We inspected the fund and account code(s) to which the check was posted to determine the posting was reasonable based on the employees' duties as documented in the minute record or as required by statute. We also confirmed the payment was posted to the proper year. We found no exceptions.
2. For any new employees selected in procedure 1 we inspected the employees' personnel files and/or minute record for the following information and compared it with the information used to compute gross and net pay related to this check:
 - a. Name
 - b. Authorized salary or pay rate
 - c. Department(s) and fund(s) to which the check should be charged
 - d. Retirement system participation and payroll withholding
 - e. Federal, State & Local income tax withholding authorization and withholding
 - f. Any other deduction authorizations (deferred compensation, etc.)

We found no exceptions related to procedures a. – f. above.

3. We inspected the last remittance of tax and retirement withholdings for the year ended December 31, 2017 to confirm remittances were timely paid, and if the amounts paid agreed to the amounts withheld, plus the employer's share where applicable, during the final withholding period of 2017. We observed the following:

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
Federal income taxes & Medicare	January 31, 2018	January 12, 2018	\$586.39	\$586.39
State income taxes	January 31, 2018	January 17, 2018	\$214.99	\$214.99
OPERS retirement	January 30, 2018	January 12, 2018	\$1,380.45	\$1,380.45

4. For the pay periods ended October 18, 2017 and May 4, 2016, we recomputed the allocation of the Boards' salaries to the General, Gas Tax and Road & Bridge Funds per the Employee Wage Base Detail Report. We found no exceptions.

Payroll Cash Disbursements (Continued)

5. For the pay periods described in the preceding procedure, we traced the Boards' salary for time or services performed to supporting certifications the Revised Code requires. We found no exceptions.
6. We haphazardly selected and recomputed one termination payment (unused vacation, etc.) using the following information, and agreed the computation to the amount paid as recorded in the Employee Wage Base Detail Report:
 - a. Accumulated leave records
 - b. The employee's pay rate in effect as of the termination date
 - c. The Township's payout policy.

The amount paid was consistent with the information recorded in a. through c. above.

7. We inquired of management and inspected the Payment Register Detail Report for the years ended December 31, 2017 and 2016 to determine if township employees and/or trustees were reimbursed for out-of-pocket insurance premiums. No such reimbursements occurred.

Non-Payroll Cash Disbursements

1. We haphazardly selected ten disbursements from the Payment Register Detail Report for the year ended December 31, 2017 and ten from the year ended 2016 and determined whether:
 - a. The disbursements were for a proper public purpose. We found no exceptions.
 - b. The check number, date, payee name and amount recorded on the returned, canceled check agreed to the check number, date, payee name and amount recorded in the Payment Register Detail Report and to the names and amounts on the supporting invoices. We found no exceptions.
 - c. The payment was posted to a fund consistent with the restricted purpose for which the fund's cash can be used. We found no exceptions.
 - d. The fiscal officer certified disbursements requiring certification or issued a *Then and Now Certificate*, as required by Ohio Rev. Code Section 5705.41(D). We found eight instances where the certification date was after the vendor invoice date, and there was also no evidence that a *Then and Now Certificate* was issued. Ohio Rev. Code Section 5705.41(D) requires certifying at the time of a commitment, which should be on or before the invoice date, unless a *Then and Now Certificate* is used. Because we did not inspect all disbursements requiring certification, our report provides no assurance whether or not additional similar errors occurred.

Compliance – Budgetary

1. We compared the total estimated receipts from the Amended Official Certificate of Estimated Resources, required by Ohio Rev. Code Section 5705.36(A)(1), to the amounts recorded in the Revenue Status Report for the General, Road & Bridge and Fire Funds for the years ended December 31, 2017 and 2016. The Revenue Status Report recorded budgeted (i.e. certified) resources for the General, Road & Bridge, and Fire Funds of \$54,008, \$145,142, and \$129,934, respectively, for 2017. However, the final Amended Official Certificate of Estimated Resources reflected \$35,335, \$127,025, and \$103,650, respectively. The Revenue Status Report recorded budgeted (i.e. certified) resources for the General, Road & Bridge, and Fire Funds of \$38,640, \$133,525, and \$172,429, respectively, for 2016. However, the final Amended Official Certificate of Estimated Resources reflected \$34,836, \$128,430, and \$161,307, respectively. The fiscal officer should periodically compare amounts recorded in the Revenue Status Report to amounts recorded on the *Amended Official Certificate of Estimated Resources* to assure they agree. If the amounts do not agree, the Trustees may be using inaccurate information for budgeting and monitoring purposes.

Compliance – Budgetary (Continued)

2. We inspected the appropriation measures adopted for 2017 and 2016 to determine whether, for the General, Road & Bridge and Fire Funds, the Trustees appropriated separately for “each office, department, and division, and within each, the amount appropriated for personal services,” as is required by Ohio Rev. Code Section 5705.38(C). We found no exceptions.
3. We compared total appropriations required by Ohio Rev. Code Sections 5705.38 and 5705.40, to the amounts recorded in the Appropriation Status Report for 2017 and 2016 for the following funds: General, Road & Bridge and Fire Funds. Except for the General Fund in 2016, for which appropriations exceeded the Appropriation Status Report amount by \$50, the amounts on the appropriation resolutions agreed to the amounts recorded in the Appropriation Status Report.
4. Ohio Rev. Code Sections 5705.36(A)(5) and 5705.39 prohibits appropriations from exceeding the certified resources. We compared total appropriations to total certified resources for the General, Road & Bridge and Fire Funds for the years ended December 31, 2017 and 2016. There were no funds for which appropriations exceeded certified resources.
5. Ohio Rev. Code Section 5705.41(B) prohibits expenditures (disbursements plus certified commitments) from exceeding appropriations. We compared total expenditures to total appropriations for the years ended December 31, 2017 and 2016 for the General, Road & Bridge and Fire Funds, as recorded in the Budgetary Comparison Spreadsheet. There were no funds for which expenditures exceeded appropriations.
6. Ohio Rev. Code Section 5705.09 requires establishing separate funds to segregate externally-restricted resources. We inspected the Revenue Ledger for evidence of new restricted receipts requiring a new fund during December 31, 2017 and 2016. We also inquired of management regarding whether the Township received new restricted receipts. The Township did not establish funds during 2016 to segregate Federal Emergency Management Agency or Ohio Public Works Commission Tisch road phase II grant receipts and disbursements, in compliance with Section 5705.09.
7. For funds existing in prior years, inspect the fund activity to determine whether the fund is still being used for the statutorily approved purpose and that all the required funds were established. All the required funds were established and no funds for which the statutorily approved purpose was no longer valid were included on the accounting records.
8. We inspected the 2017 and 2016 Reconciliation of Interfund Transfers Reports for evidence of interfund transfers exceeding \$1,000 which Ohio Rev. Code Sections 5705.14 - .16 restrict. We found no evidence of transfers these Sections prohibit, or for which Section 5705.16 would require approval by the Tax Commissioner or Court of Common Pleas.
9. We inquired of management and inspected the Appropriation Status Reports to determine whether the Township elected to establish reserve accounts permitted by Ohio Rev. Code Section 5705.13. The Township did not establish these reserves.
10. We inspected the Cash Summary by Fund Report for the years ended December 31, 2017 and 2016 for negative cash fund balances. Ohio Rev. Code Section 5705.10 (I) provides that money paid into a fund must be used for the purposes for which such fund is established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another. No funds had a negative cash fund balances.

Compliance – Contracts & Expenditures

1. We inquired of management and inspected the Payment Register Detail Report for the years ended December 31, 2017 and 2016 to determine if the township proceeded by force account (i.e. used its own employees) to maintain or repair roads (cost of project \$15,000-\$45,000) or to construct or reconstruct township roads (cost of project \$5,000-\$15,000/per mile) for which Ohio Rev. Code Section 5575.01 requires the county engineer to complete a force account project assessment form (i.e., cost estimate). We identified no projects requiring the county engineer to complete a force account cost estimate.

Other Compliance

1. Ohio Rev. Code Section 117.38 requires townships to file their financial information in the HINKLE system within 60 days after the close of the fiscal year. This statute also permits the Auditor of State to extend the deadline for filing a financial report and establish terms and conditions for any such extension. Auditor of State established policies, in addition to filing extensions granted for extenuating circumstances, allow for refiling complete financial statements, as defined in AOS Bulletin 2015-007 in the Hinkle System for December 31, 2017 and 2016 fiscal year ends included in 2015-2016 or 2016-2017 agreed up on procedure engagements, subsequent to the Township's deadline where the initial filing was filed on time but incomplete. We confirmed the Township filed their complete financial statements, as defined by AOS Bulletin 2015-007 and Auditor of State established policy, within the allotted timeframe for the years ended December 31, 2017 and 2016 in the Hinkle system. There were no exceptions.
2. We inspected the Fiscal Integrity Act Portal (<http://www.ohioauditor.gov/fiscalintegrity/default.html>) to determine whether the fiscal officer obtained the training required by Ohio Rev. Code Section 507.12 and 733.81. Fiscal Officer obtained the required training.

This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. We were not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Township's receipts, disbursements, balances and compliance with certain laws and regulations. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is to provide assistance in the evaluation of the Township's receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2017 and 2016, and certain compliance requirements related to these transactions and balances and is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

May 2, 2018

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MORGAN TOWNSHIP

ASHTABULA 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
MAY 22, 2018**