



Dave Yost • Auditor of State

MORGAN TOWNSHIP
GALLIA COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Morgan Township
Gallia County
4240 Morgan Lane
Vinton, Ohio 45686

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Morgan Township, Gallia County, Ohio (the Township) as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2014 and 2013, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Morgan Township, Gallia County, Ohio, as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

Emphasis of Matter

As discussed in Note 8 to the financial statements, the Township had General Fund and Gasoline Tax Fund deficit cash balances as of December 31, 2014 and 2013, which indicated the Township was having financial difficulty. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Further, Notes 5 and 9 to the financial statements include the debt, liabilities, and outstanding amounts owed by the Township.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2015, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

December 17, 2015

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**MORGAN TOWNSHIP
GALLIA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$16,171	\$11,297	\$27,468
Licenses, Permits and Fees	5,872	0	5,872
Intergovernmental	16,237	110,900	127,137
Earnings on Investments	1	2	3
Miscellaneous	1,170	0	1,170
<i>Total Cash Receipts</i>	<u>39,451</u>	<u>122,199</u>	<u>161,650</u>
Cash Disbursements			
Current:			
General Government	39,922	0	39,922
Public Safety	0	12,127	12,127
Public Works	0	87,571	87,571
Capital Outlay	0	26,509	26,509
Debt Service:			
Principal Retirement	0	16,461	16,461
Interest and Fiscal Charges	0	527	527
<i>Total Cash Disbursements</i>	<u>39,922</u>	<u>143,195</u>	<u>183,117</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(471)</u>	<u>(20,996)</u>	<u>(21,467)</u>
Other Financing Receipts			
Other Debt Proceeds	0	26,509	26,509
<i>Total Other Financing Receipts</i>	<u>0</u>	<u>26,509</u>	<u>26,509</u>
<i>Net Change in Fund Cash Balances</i>	(471)	5,513	5,042
<i>Fund Cash Balances, January 1</i>	<u>(18,876)</u>	<u>12,916</u>	<u>(5,960)</u>
Fund Cash Balances, December 31			
Restricted	0	30,756	30,756
Unassigned (Deficit)	<u>(19,347)</u>	<u>(12,327)</u>	<u>(31,674)</u>
<i>Fund Cash Balances, December 31</i>	<u><u>(\$19,347)</u></u>	<u><u>\$18,429</u></u>	<u><u>(\$918)</u></u>

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

**MORGAN TOWNSHIP
GALLIA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$16,139	\$10,902	\$27,041
Licenses, Permits and Fees	4,836	0	4,836
Intergovernmental	13,070	103,974	117,044
Earnings on Investments	1	2	3
Miscellaneous	303	0	303
<i>Total Cash Receipts</i>	<u>34,349</u>	<u>114,878</u>	<u>149,227</u>
Cash Disbursements			
Current:			
General Government	39,163	0	39,163
Public Safety	0	14,109	14,109
Public Works	0	87,908	87,908
Debt Service:			
Principal Retirement	0	13,632	13,632
Interest and Fiscal Charges	0	1,086	1,086
<i>Total Cash Disbursements</i>	<u>39,163</u>	<u>116,735</u>	<u>155,898</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(4,814)</u>	<u>(1,857)</u>	<u>(6,671)</u>
Other Financing Receipts (Disbursements)			
Transfers In	10,370	0	10,370
Transfers Out	0	(10,370)	(10,370)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>10,370</u>	<u>(10,370)</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	5,556	(12,227)	(6,671)
<i>Fund Cash Balances, January 1</i>	<u>(24,432)</u>	<u>25,143</u>	<u>711</u>
Fund Cash Balances, December 31			
Restricted	0	29,910	29,910
Unassigned (Deficit)	<u>(18,876)</u>	<u>(16,994)</u>	<u>(35,870)</u>
<i>Fund Cash Balances, December 31</i>	<u><u>(\$18,876)</u></u>	<u><u>\$12,916</u></u>	<u><u>(\$5,960)</u></u>

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

**MORGAN TOWNSHIP
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

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 Springfield Township Fire Department to provide fire services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Deposits

The Township has one primary, interest bearing checking account.

D. 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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Fund:

**MORGAN TOWNSHIP
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

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

E. 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. 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 approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Restricted

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

**MORGAN TOWNSHIP
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

2. 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.

G. 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 Deposits

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

	2014	2013
Demand deposits	(\$918)	(\$5,960)

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$34,668	\$39,451	\$4,783
Special Revenue	128,851	148,708	19,857
Total	\$163,519	\$188,159	\$24,640

**MORGAN TOWNSHIP
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

3. Budgetary Activity (Continued)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$26,713	\$39,922	(\$13,209)
Special Revenue	137,870	143,195	(5,325)
Total	\$164,583	\$183,117	(\$18,534)

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$26,477	\$44,719	\$18,242
Special Revenue	119,836	114,878	(4,958)
Total	\$146,313	\$159,597	\$13,284

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$15,382	\$39,163	(\$23,781)
Special Revenue	115,061	127,105	(12,044)
Total	\$130,443	\$166,268	(\$35,825)

Contrary to Ohio Rev. Code § 5705.41(B), budgetary expenditures exceeded appropriation authority in the General Fund by \$13,209; Motor Vehicle License Tax Fund by \$24,948; and the Gasoline Tax Fund by \$8,953 for the year end December 31, 2014. Additionally, budgeted expenditures exceeded appropriation authority in the General Fund by \$23,781; Gasoline Tax Fund by \$26,335; and the FEMA Fund by \$10,370 for the year ended December 31, 2013.

Contrary to Ohio Rev. Code § 5705.10(I), the Township had cash deficit balances in the General Fund of \$19,347 and the Gasoline Tax Fund of \$12,327 for the year ended December 31, 2014. Additionally, the Township had cash deficit balances in the General Fund of \$18,876 and the Gasoline Tax Fund of \$16,994 for the year ended December 31, 2013.

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.

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

**MORGAN TOWNSHIP
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

5. Debt

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
Truck/Equipment Loan	\$1,267	4.75%
Grader Loan	24,319	2.46%
Total	\$25,586	

The Township issued a promissory note on October 3, 2014 in the amount of \$26,509 for the purchase of a 1985 Gallon S450E Grader for three years.

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

	Truck/Equipment Loan	Grader Loan
Year ending December 31:		
2015	\$1,267	\$9,084
2016		9,085
2017		6,813
Total	\$1,267	\$24,982

6. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10%, respectively, of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2014.

7. Risk Management

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**MORGAN TOWNSHIP
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

7. Risk Management (Continued)

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2014, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2014 (the latest information available):

	<u>2013</u>	<u>2014</u>
Assets	\$34,954,286	\$35,970,263
Liabilities	8,486,363	8,912,432
Net Position	\$26,467,923	\$27,057,831

At December 31, 2013 and 2014, respectively, the liabilities above include approximately \$7.9 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.2 million of unpaid claims to be billed to approximately 957 member governments in the future, as of December 31, 2013 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Township's share of these unpaid claims collectible in future years is approximately \$2,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
<u>2014</u>	<u>2013</u>
\$4,548	\$4,500

**MORGAN TOWNSHIP
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

7. Risk Management (Continued)

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

8. Deficit Fund Balance

At December 31, 2014 and 2013, the Township had deficit fund cash balances of (\$19,347) and (\$18,876), respectively, in the General Fund and (\$12,327) and (\$16,994), respectively, in the Gasoline Tax Fund. The Township has attempted to reduce the negative fund balances through limiting expenditures and having the Board of Trustees perform more of the minor road work rather than hiring additional employees or contracting.

9. Liabilities and Outstanding Amounts Owed

During the prior audit, the Township entered a repayment plan with the Internal Revenue Service due to back taxes for failure to remit taxes withheld, Medicare, and resulting penalties and interest. Also, the Internal Revenue Service filed a lien against the property of Morgan Township. At December 31, 2014, the Township has an outstanding balance of \$793.

The Township has outstanding audit costs relating to the prior financial audits performed by the Auditor of State's Office. As of December 31, 2014, the Township owed \$19,314 to the Treasurer of State for these audit costs. As of September 30, 2015, the Township had a total balance of \$22,132 of which \$17,314 is past due longer than four months.

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

10. Subsequent Events

On October 30, 2014, a resolution was passed to approve an additional 1.2 inside millage tax for the General Fund. This increase in revenue will begin in 2015.

On September 15, 2015, the Township purchased a backhoe in the amount of \$86,939 financed through Kansas State Bank. Loan payments will begin in September 2015 and be made monthly for six years in the amount of \$1,313.

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Dave Yost • Auditor of State

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

Morgan Township
Gallia County
4240 Morgan Lane
Vinton, Ohio 45686

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 Morgan Township, Gallia County, Ohio (the Township) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated December 17, 2015, wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We also noted the Township was experiencing financial difficulties.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 a 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. We consider Findings 2014-001, 2014-002, 2014-004, 2014-006, 2014-007, 2014-010, and 2014-011 described in the accompanying Schedule of Findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2014-001 through 2014-009.

Entity's Response to Findings

The Village's response to the Findings identified in our audit is described in the accompanying Schedule of Findings. We did not audit the Village'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 Entity'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.

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

Dave Yost
Auditor of State
Columbus, Ohio

December 17, 2015

**MORGAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

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

FINDING NUMBER 2014-001

Noncompliance Citation/Material Weakness

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

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

The size of the Township's staff did not allow for an adequate segregation of duties; the Township Fiscal Officer performed all accounting functions, including receipting, depositing, disbursing, and reconciling. It is, therefore, important that the Board of Trustees monitor financial activity closely.

Trustees review of financial reports and information was limited. The Fiscal Officer maintained the cash journal showing total balances, receipts, and disbursements by fund. There was, however, no consistent Board signature or approval in the minute record to evidence Board of Trustee review. The cash journal was not reconciled to the bank balances and the receipt and appropriation ledgers were incomplete. Therefore, the records provided to the Trustees did not provide any reliance that internal controls were in place. Formal bank reconciliations were not prepared so there were no processes or procedures in place to ensure transactions were posted in the proper period. Further, no processes exist to identify unusual fluctuations between accounts or between fiscal years.

Also, The Fiscal Officer did not prepare monthly bank reconciliations to reconcile the bank statements to the cash journal. This aided in the Township financial records being inaccurate and carrying incorrect fund balances. Failure to perform monthly reconciliations results in errors going undetected by the Fiscal Officer.

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

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

Also, the Fiscal Officer should maintain records of budget and actual information in a format easily reviewable by the Township Board of Trustees. We further recommend the Board of Trustees review detailed financial reports, budget versus actual information, and bank reconciliations on a monthly basis.

This review should be documented in the minute record and/or initialed and dated to evidence review. We also recommend the Township Trustees make appropriate inquiries to help determine the continued integrity of financial information. Appropriate inquiries would include:

**MORGAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-001 (Continued)

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

- 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.

FINDING NUMBER 2014-002

Noncompliance Citation/Material Weakness

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

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

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

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

During 2014 and 2013, the Township maintained a cash journal but the cash journal was not reconciled with the bank balances. The following errors were noted when agreeing the manual combined and combining statements of the annual reports for both 2013 and 2014 back to the cash journal and performing the reconciliation:

**MORGAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-002 (Continued)

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

In 2013:

- General Fund receipts increased \$11,142;
- General Fund disbursements increased \$3,250;
- Motor Vehicle License Fund receipts increased \$1,481;
- Motor Vehicle License Fund disbursements decreased \$219;
- FEMA Fund disbursements increased \$10,370;
- Fire Fund receipts decreased \$1,666;
- Fire Fund disbursements increased \$298;
- Gasoline Tax Fund receipts decreased \$2,346; and
- Gasoline Tax Fund disbursements increased \$2,448.

In 2014:

- General Fund receipts increased \$346;
- General Fund disbursements decreased \$338;
- Motor Vehicle License Fund receipts decreased \$25;
- Motor Vehicle License Fund disbursements decreased \$757;
- Fire Fund receipts decreased \$25;
- Gasoline Tax Fund receipts decreased \$773; and
- Gasoline Tax Fund disbursements decreased \$3,636.

The Township also failed to integrate budgetary information with its accounting system. There was no system in place to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances.

This could result in the Township appropriating more money than is available, and/or expending more money than is appropriated. In addition, for 2014 and 2013 invoices and purchase orders were not attached to the vouchers, but were contained in separate folders, making it difficult to locate support for expenditures. This led to increased time in completion of Auditor of State procedures and increased audit fees.

The Township should properly maintain the accounting records and reconcile the cash journal to the bank balances and to the receipts ledger and appropriation ledger monthly. Furthermore, the Township should integrate budgetary information with the financial system.

**MORGAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

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

FINDING NUMBER 2014-003

Noncompliance Citation

Ohio Rev. Code § 117.38 provides that cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. The Auditor of State may prescribe by rule or guidelines the forms for these reports. However, if the Auditor of State has not prescribed a reporting form, the public office shall submit its report on the form used by the public office. Any public office not filing the report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfiled, not to exceed seven hundred fifty dollars. The Auditor of State may waive these penalties, upon the filing of the past due financial report.

The report shall contain the following: (A) amount of collections and receipts, and accounts due from each source; (B) amount of expenditures for each purpose; (C) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and (D) amount of public debt of each taxing district, the purpose of the debt, and how the debt will be repaid.

The Township did not file its 2014 report with the Auditor of State. Failure to file the annual financial report within 60 days of the fiscal year-end can result in fines and penalties. Further, failing to file an annual report could be a symptom of an inadequate accounting system, inadequate training of personnel in understanding the accounting and reporting process, unposted or unreconciled records or other significant issues affecting the control environment, and may even pose fraud risks. The reports provided to the Auditor of State required numerous adjustments and reclassifications. Misstated financial reports make it difficult for management to monitor financial performance and impossible for the Township to be transparent to the public in its financial activity.

The Fiscal Officer should file the Township's annual financial reports with the Auditor of State within 60 days of each fiscal year end. The Township should also establish an accounting system capable of accurate financial reporting.

FINDING NUMBER 2014-004

Noncompliance Citation/Material Weakness

Ohio Rev. Code § 505.24(C) states, in part, by unanimous vote, a board of township trustees may adopt a method of compensation consisting of an annual salary to be paid in equal monthly payments. 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 trustees were paid on a per diem basis as specified in this division, and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution.

Each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed. As explained in Auditor of State Bulletin 2013-002, townships allocating one hundred percent of officials' salaries to restricted funds will be subject to audit findings. Auditor of State Bulletin 2011-007 describes requirements under Ohio. Rev. Code § 505.24(C).

**MORGAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

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

FINDING NUMBER 2014-004 (Continued)

Noncompliance Citation/Material Weakness – Ohio Rev. Code §505.24(C) (Continued)

For 2014 and 2013, the Township Board of Trustees maintained time logs as time and effort documentation instead of completing the certifications as required under Ohio Rev. Code § 505.24(C).

However, these time logs failed to agree to the actual charges made for both years. For 2014 and 2013, Township salaries, fringe benefits and insurance reimbursements in the amount of \$5,107 and \$833, respectively, were paid from the Gasoline Tax Fund and should have been paid from the General Fund.

The Fiscal Officer posted these adjustments to the Township records and they are reflected in the accompanying financial statements.

The Township Fiscal Officer should review Auditor of State Bulletins 2013-002 and 2011-007 regarding legislative changes governing township fiscal officer and trustee compensation and what is required of township trustees and fiscal officers under the law. Each Township Trustee and Fiscal Officer should complete the required certification when compensated from funds other than the General Fund. Furthermore, the allocation to the General Fund should be a reasonable and rational percentage.

FINDING NUMBER 2014-005

Noncompliance Citation

Ohio Rev. Code §505.262(A) authorizes a board of township trustees to issue notes of the township to finance installment payment purchases of equipment, buildings, and sites for any lawful township purpose. All notes issued by a township shall be done pursuant to Ohio Rev. Code §133.20. Furthermore, the Attorney General has provided his opinion that Ohio Rev. Code §505.262(A) does not grant explicitly or implicitly the authority of the township to grant a security interest in the property purchased by the installment contract. See 1996 Op. Atty Gen. No. 1996-048

The Township issued a promissory note in 2014 in the amount of \$26,509 for a grader that did not meet the requirements of Ohio Rev. Code § 133.20 in that it was a simple bank loan that granted a security interest in the property purchased. In addition, the Township had an installment loan secured by the acquired truck outstanding during the audit period that did not comply with the Ohio Rev. Code §§ 505.262(A) and 133.20.

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

**MORGAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

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

FINDING NUMBER 2014-006

Noncompliance Citation/Material Weakness

Ohio Rev. Code § 507.09(C) states the Township Fiscal Officer shall be compensated from the Township General Fund or from other Township funds based on the proportion of time the Township Fiscal Officer spends providing services related to each fund. A Township Fiscal Officer must document the amount of time spent providing services related to each fund by certification specifying the percentage of time spent working on matters to be paid from the Township General Fund or from other Township funds in such proportions as the kinds of services performed.

For 2013, the Township Fiscal Officer's salary and fringe benefits were paid from the General Fund with the exception of \$410 paid from the Gasoline Tax Fund for dental insurance and insurance premium. In addition, an adjustment was made at year end that transferred \$6,155 in salaries and fringe benefits from the General Fund to the Gasoline Tax Fund. The Township Fiscal Officer did not follow the certification requirements of Ohio Rev. Code § 505.24(C), nor did the Township Fiscal Officer maintain time and effort documentation supporting the transfer of expenditures to the Gasoline Tax Fund, resulting in an audit adjustment to eliminate the transfer and to move \$410 to the General Fund

The Fiscal Officer has posted this adjustment to the Township records, and therefore, it is reflected in the accompanying financial statements.

The Township Trustees should review Auditor of State Bulletins 2013-002 and 2011-007 and adopt a formal administrative procedures regarding completion of the required certifications when officials are compensated from funds other than the General Fund.

FINDING NUMBER 2014-007

Noncompliance Citation/Material Weakness

Ohio Rev. Code § 5705.10(I) states that money paid into a fund must be used only for the purpose for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The Township had the following deficit balances at December 31, 2014: General Fund (\$19,347) and Gasoline Tax Fund (\$12,327). In addition, the Township had the following deficit balances at December 31, 2013: General Fund (\$18,876) and Gasoline Tax Fund (\$16,994).

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

The Township Fiscal Officer should use money paid into a fund only for purposes for which such fund was established. Expenditures should not be permitted from funds with no balance or with a negative balance. Steps should be identified and implemented that would help the Township reduce spending, increase revenues, or both.

**MORGAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-008

Noncompliance Citation

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

At December 31, 2014, expenditures exceeded appropriations, as follows:

	Authority	Expenditures	Variance
General Fund	\$ 26,713	\$ 39,922	\$ (13,209)
Gasoline Tax Fund	\$ 19,193	\$ 44,141	\$ (24,948)
FEMA Fund	\$ 77,974	\$ 86,927	\$ (8,953)

At December 31, 2013, expenditures exceeded appropriations, as follows:

	Authority	Expenditures	Variance
General Fund	\$ 15,382	\$ 39,163	\$ (23,781)
Gasoline Tax Fund	\$ 57,281	\$ 83,616	\$ (26,335)
FEMA Fund	\$ -	\$ 10,370	\$ (10,370)

Expenditures exceeding appropriations resulted in overspending and deficit fund balances in the General and Gasoline Tax Funds.

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

**MORGAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-009

Noncompliance Citation

Ohio Rev. Code § 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 §§ 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the Fiscal Officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificates - Fiscal officers may prepare so-called "blanket" certificates not running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Purchase orders may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

3. Super Blanket Certificate - The Township may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to exceed beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

100% percent of disbursements tested during the audit period 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.

**MORGAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-009 (Continued)

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

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, "then and now" certification should be used.

The Board of Trustees should obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language § 5705.41(D) requires to authorize disbursements. The Township Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of § 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2014-010

Material Weakness

Sound financial reporting is the responsibility of the Fiscal Officer and Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

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

In 2013:

- General Fund property and local tax receipts and general government disbursements of \$651 were unrecorded;
- General Fund intergovernmental receipts of \$500 were incorrectly posted to the Motor Vehicle License Fund;
- General Fund fines, licenses, and permits receipts of \$421 were incorrectly posted as intergovernmental receipts;
- General Fund transfer in receipts were overstated by \$6,155;
- General Fund fines, licenses, and permits receipts of \$4,415 were incorrectly posted as miscellaneous receipts;
- General Fund general government disbursements of \$4,932 were incorrectly posted as a transfer out;
- General Fund general government disbursements of \$1,243 were incorrectly posted to the Gasoline Tax Fund as public works disbursements;
- Gasoline Tax Fund transfer out disbursements were overstated by \$6,155;
- Motor Vehicle License Fund public works disbursements of \$4,292, debt service principal retirement of \$13,632, and debt service interest disbursements of \$1,086 were incorrectly posted as general government disbursements;

**MORGAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

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

FINDING NUMBER 2014-010 (Continued)

Material Weakness - (Continued)

- Gasoline Tax Fund transfer in receipts and public works disbursements were overstated by \$4,932; and
- Fire Fund intergovernmental receipts of \$913 were incorrectly posted as intergovernmental receipts in the General Fund.

In 2014:

- General Fund property and local tax receipts and general government disbursements of \$1,150 were unrecorded;
- General Fund intergovernmental receipts and general government disbursements of \$603 were unrecorded;
- General Fund fines, licenses, and permits receipts of \$5,872 were incorrectly posted as miscellaneous receipts;
- General Fund general government disbursements of \$5,107 were incorrectly posted to the Gasoline Tax Fund as public works disbursements;
- Motor Vehicle License Fund proceeds of debt and capital outlay disbursements of \$26,509 were unrecorded;
- Motor Vehicle License Fund public works disbursements of \$1,401, debt service principal retirement of \$16,461, and debt service interest disbursements of \$527 were incorrectly posted as general government disbursements;
- Gasoline Tax Fund intergovernmental receipts and public works disbursements were overstated by \$2,137;
- Fire Fund intergovernmental receipts of \$399 were incorrectly posted as intergovernmental receipts in the General Fund.

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

The Fiscal Officer should review the Township handbook for guidance on the correct line items to post various receipts and disbursements for the Township to ensure the Township's financial statements are complete and accurate.

FINDING NUMBER 2014-011

Material Weakness

Supporting documentation should be attached to each voucher in order to ensure the correct disbursements are made to ensure the vouchers were not made more than once. For 2014 and 2013, the Fiscal Officer failed to attach supporting documentation to the vouchers but kept invoices in separate files.

**MORGAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-011 (Continued)

Material Weakness – (Continued)

We were unable to obtain support for fifteen percent in 2014 and thirty-seven percent in 2013 of disbursements tested. Although, we were able to perform alternative procedures to gain assurances for these expenditures, this resulted in difficulty supporting the disbursement amounts and prevented absolute determination of these amounts as pertaining to proper public purpose, proper encumbering, ensuring the lowest price available was utilized, determining proper posting, and verifying against check images. This could also result in the Township paying an invoice more than once and an increase in audit time and fees due to our difficulty in locating support for disbursements.

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

Officials' Response: The Township has taken steps to correct our financial situation by way of approving an additional 1.2 inside millage tax for the General Fund. Further steps will be taken to correct these issues brought to our attention.

**MORGAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2012-001	Ohio Rev. Code § 5705.10(H) for negative fund balances.	No	Not Corrected – reissued as Finding Number 2014-007.
2012-002	Ohio Rev. Code §5705.36(A)(4) for failure to request a reduced Certificate of Estimated Resources in accordance with realistic receipt expectations.		Not required to be tested during audit period.
2012-003	Ohio Rev. Code § 5705.41(B) for expenditures exceeding appropriations.	No	Not Corrected – reissued as Finding Number 2014-008.
2012-004	Ohio Rev. Code § 505.24(C) and 507.09 for failure to complete payroll certifications and time and effort documentation not agreeing to how Trustees and Fiscal Officer were paid.	No	Not Corrected – reissued as Finding Numbers 2014-004 and 2014-006.
2012-005	Ohio Rev Code § 5705.41(D)(1) for improper encumbering	No	Not Corrected – reissued as Finding Number 2014-009.
2012-006	Ohio Admin. Code §§117-2-01 (D)(3) and (5) for the Fiscal Officer failing to prepare monthly bank reconciliations.	No	Not Corrected – reissued as Finding Number 2014-001.
2012-007	Ohio Admin. Code § 117-2-01(D)(4) for inadequate monitoring including: lack of segregation of duties, lack of Board review of financial information maintained, lack of bank reconciliations	No	Not Corrected– reissued as Finding Number 2014-001.

**MORGAN TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-008	Ohio Rev. Code § 505.262(A) for issuing unallowable debt	No	Not Corrected – reissued as Finding Number 2014-005.
2012-009	Material weakness due to multiple adjustments required from audit procedures	No	Not Corrected – reissued as Finding Number 2014-010.
2012-010	Internal Revenue Code (IRC) Chapter 26 §3401, §3402, §3403, §3404, §3405, and §3102(a) for failure to remitting federal and Medicare taxes	No	Not Corrected – reissued in management letter.
2012-011	Ohio Rev. Code § 117.38 for failure to file annual reports with the Auditor of State within 60 days of the fiscal year end	No	Not Corrected – reissued as Finding Number 2014-003.

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Dave Yost • Auditor of State

MORGAN TOWNSHIP

GALLIA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 29, 2015**