

Morgan Township
Scioto County
Regular Audit
For the Years Ended December 31, 2013 and 2012



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Dave Yost • Auditor of State

Board of Trustees
Morgan Township
8413 Big Bear Creek Road
Lucasville, Ohio 45648

We have reviewed the *Independent Auditor's Report* of Morgan Township, Scioto County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2012 through December 31, 2013. 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.

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".

Dave Yost
Auditor of State

May 7, 2014

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Morgan Township
Scioto County
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For the Years Ended December 31, 2013 and 2012

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Independent Auditor's Report

Board of Trustees
Morgan Township
Scioto County
8413 Big Bear Creek Road
Lucasville, Ohio 45648

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Morgan Township, Scioto County, (the Township) as of and for the years ended December 31, 2013 and 2012.

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 of 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 opinion.

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 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, to satisfy requirements.

The effects of the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2013 and 2012, 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, Scioto County, as of December 31, 2013 and 2012, 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 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2014, 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.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

March 26, 2014

Morgan Township
Scioto County
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2013

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Other Local Taxes	\$40,965	\$72,506	\$113,471
Intergovernmental	14,062	137,746	151,808
Earnings on Investments	8	2	10
Miscellaneous	9,583	3,152	12,735
Total Cash Receipts	64,618	213,406	278,024
Cash Disbursements:			
Current:			
General Government	47,426	0	47,426
Public Safety	0	37,591	37,591
Public Works	423	98,837	99,260
Health	14,552	0	14,552
Capital Outlay	0	54,432	54,432
Debt Service:			
Redemption of Principal	0	19,187	19,187
Interest and Other Fiscal Charges	0	1,585	1,585
Total Cash Disbursements	62,401	211,632	274,033
Total Cash Receipts Over Cash Disbursements	2,217	1,774	3,991
Fund Cash Balances, January 1	154	65,554	65,708
Restricted for:			
Fire Operations	0	33,448	33,448
Road and Bridge Maintenance and Improvements	0	30,058	30,058
Committed for:			
Road and Bridge Maintenance and Improvements	0	3,822	3,822
Unassigned	2,111	0	2,111
Assigned for:			
Future Obligations	260	0	260
Fund Cash Balances, December 31	\$2,371	\$67,328	\$69,699

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

Morgan Township
Scioto County
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances
All Governmental Fund Types
For The Year Ended December 31, 2012

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Other Local Taxes	\$41,090	\$72,791	\$113,881
Intergovernmental	9,382	136,712	146,094
Earnings on Investments	5	6	11
Miscellaneous	9,826	2,725	12,551
Total Cash Receipts	60,303	212,234	272,537
Cash Disbursements:			
Current:			
General Government	40,303	0	40,303
Public Safety	0	36,421	36,421
Public Works	2,478	128,562	131,040
Health	14,580	0	14,580
Capital Outlay	1,080	20,000	21,080
Debt Service:			
Redemption of Principal	0	18,694	18,694
Interest and Other Fiscal Charges	0	2,054	2,054
Total Cash Disbursements	58,441	205,731	264,172
Total Cash Receipts Over Cash Disbursements	1,862	6,503	8,365
Fund Cash Balances, January 1	(1,708)	59,051	57,343
Restricted for:			
Fire Operations	0	24,424	24,424
Road and Bridge Maintenance and Improvements	0	22,044	22,044
Committed for:			
Road and Bridge Maintenance and Improvements	0	19,086	19,086
Unassigned	154	0	154
Fund Cash Balances, December 31	\$154	\$65,554	\$65,708

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

Morgan Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 1 – Summary of Significant Accounting Policies

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Morgan Township, Scioto 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, cemetery maintenance, and fire protection. The Township contracts with the Scioto Ambulatory District to provide ambulance services. The Scioto Ambulatory District is defined as a jointly governed organization and is described in Note 9.

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is: Ohio Township Association Risk Management Authority (OTARMA). This is a risk sharing pool available to all Townships for property and casualty insurance coverage.

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

Basis of Accounting

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

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

Cash

The Township maintains its cash pool in an interest-bearing checking account with a local commercial bank.

Fund Accounting

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

General Fund

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

Special Revenue Funds

These funds account for proceeds from specific sources (other than those from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

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

Road and Bridge Fund - This fund receives property tax and intergovernmental money for constructing, maintaining, and repairing Township roads and bridges.

Morgan Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

Special Revenue Funds (Continued)

Fire Levy Fund - This fund receives tax money for providing fire protection services.

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. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

Estimated Resources

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

A summary of the 2013 and 2012 budgetary activity appears in Note 3.

Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of the resources in the governmental funds. 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.

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.

Morgan Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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.

Note 2 – Equity in Pooled Cash

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

	2013	2012
Demand Deposits	\$69,699	\$65,708

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

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2013 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$64,583	\$64,618	\$35
Special Revenue	226,979	213,406	(13,573)
Total	\$291,562	\$278,024	(\$13,538)

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$73,382	\$62,662	\$10,720
Special Revenue	281,927	212,593	69,334
Total	\$355,309	\$275,255	\$80,054

Morgan Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 3 – Budgetary Activity (Continued)

Budgetary activity for the year ending December 31, 2012 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$66,933	\$60,303	(\$6,630)
Special Revenue	209,333	212,234	2,901
Total	<u>\$276,266</u>	<u>\$272,537</u>	<u>(\$3,729)</u>

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$74,382	\$58,441	\$15,941
Special Revenue	259,227	205,731	53,496
Total	<u>\$333,609</u>	<u>\$264,172</u>	<u>\$69,437</u>

Contrary to Ohio Revised Code 5705.41(D), the Township had disbursements not certified at the time of commitment in 2013 and 2012.

Contrary to Ohio Revised Code 5705.36(A)(2), the Township had appropriations in excess of available resources in 2013 and 2012.

Contrary to Ohio Revised Code 5705.39, the Township had appropriations in excess of estimated resources.

Contrary to Ohio Revised Code 5705.41(B), the Township had expenditures in excess of appropriations.

Note 4 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts.

Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

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

Note 5 – Debt

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Fire Truck Bond-2010	\$33,671	6.00%
Road Truck Bond-2010	6,235	4.79%
Total	<u>\$39,906</u>	

Morgan Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 5 – Debt (Continued)

The Township issued a bond to finance the purchase of a fire truck for the Township fire department in 2010. The Township’s taxing authority collateralized the bond. The Township issued a bond in 2010 for a road truck for the Township road department. The Township’s taxing authority collateralized the note.

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

Year Ending December 31:	Fire Truck	Road Truck
2014	\$17,505	\$3,242
2015	17,505	3,242
Total	<u>\$35,010</u>	<u>\$6,484</u>

Note 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 includes postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries, with the Township contributing an amount equal to 14% of participants’ gross salaries. The Township has paid all contributions required through December 31, 2013.

Note 7 – Risk Management

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

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

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

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2012, OTARM 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.

Morgan Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 7 – Risk Management (Continued)

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, 2012 and 2011 (latest information available):

	2012	2011
Assets	\$34,771,270	\$35,086,165
Liabilities	(9,355,082)	(9,718,792)
Net Position	\$25,416,188	\$25,367,373

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.96 and \$8.6 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township’s share of these unpaid claims collectible in future years is approximately \$6,000.

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.

Contributions to OTARMA		
2013	2012	2011
\$11,513	\$10,663	\$10,722

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

Note 8 – Contingent Liabilities

Grants

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. 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.

Litigation

The Township is currently party to litigation. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the Township’s financial condition.

Morgan Township
Scioto County

Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 9 – Jointly Governed Organization

The Township is a member of the Scioto Ambulatory District (the District). The District is directed by an appointed five-member Board. The District provides ambulatory services to the areas of Brush Creek Township, Rush Township, Union Township, Morgan Township and the Village of Otway. A representative from each Township or Village is appointed to the Scioto Ambulatory District Board. The District is supported by taxes that are collected by the Scioto County Auditor from the property owners in Morgan Township. These taxes are paid to the District by the County. The Township does not assist in funding the District.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

Board of Trustees
Morgan Township
Scioto County
8413 Big Bear Creek Road
Lucasville, Ohio 45648

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Morgan Township, Scioto County (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated March 26, 2014, wherein we noted the Township followed the accounting basis the Auditor of State prescribes or permits, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 the deficiencies described in the accompanying schedule of findings and responses as items 2013-001 and 2013-002 to be material weaknesses.

Morgan Township
Scioto County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2013-003 through 2013-006.

Township's Responses to Findings

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Township's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

March 26, 2014

Morgan Township
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2013 and 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2013-001

Material Weakness – Financial Reporting

The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 115 establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client's internal control over financial reporting. This standard requires the auditor to report *in writing* to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses.

During 2013 and 2012, the Township erroneously posted receipts and disbursements to the incorrect accounts, and, in certain instances, funds. This required reclassifications and adjustments to properly present the activity of the Township for both years.

We recommend the Township implement additional control procedures related to financial reporting that enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes.

Township Response:

Auditor explained errors to the Fiscal Officer and she will properly classify receipts from here on.

Finding Number 2013-002

Material Weakness – Budgetary Information Within Accounting System

Accurate budgetary information within the Township's accounting system is pertinent to ensure that the Township has accurate and complete information for decision-making processes. Amendments to the budget should be properly documented in the minute record to provide assurance that changes to appropriations are authorized by the governing body. Certain amendments should also be filed with the County.

During 2013 and 2012, budgetary adjustments were entered into the accounting system without evidence that the amendments were approved by the Board of Trustees. In addition, some of these amendments were not filed with the County.

We recommend that the Township implement the appropriate procedures to ensure that all authorized budgetary amendments are properly within the minute record to ensure that budgetary information disclosed in the financial records are adequately supported. Further, controls should be implemented to ensure that required amendments are properly and timely filed with the County.

Township Response:

Auditor explained issues to the Fiscal Officer and she now understand the process to make budgetary amendments official.

Morgan Township
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2013 and 2012

Finding Number 2013-003

Noncompliance Citation – Ohio Revised Code Section 5705.41(D)

Ohio Revised Code Section 5705.41 (D) (1) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The statute provides the following exception to this basic requirement:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that she is completing her certification, 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 taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$3,000 for political subdivisions other than counties may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority.

During testing, we noted several disbursements were not certified at the time of commitment and there was no evidence that the Township followed the aforementioned exception. Failure to properly certify the availability of funds could result in overspending or unauthorized or improper expenditure of funds.

We recommend the Fiscal Officer certify that funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

Township Response:

The Fiscal Officer was not aware of these occurrences but will be more mindful in the future.

Finding Number 2013-004

Noncompliance Citation – Ohio Revised Code Section 5705.36(A)(2)

Ohio Revised Code Section 5705.36(A)(2) allows subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Ohio Revised Code Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation. The Township had appropriations in excess of available resources in 2013 and 2012. The condition put the Township at risk of overspending without sufficient available funds. The Township should implement additional monitoring procedures to ensure the appropriations are within available resources and that reduced amended certificates, and related reductions in appropriations, are obtained when appropriate.

Township Response:

Auditor explained issues to the Fiscal Officer and she now understand how to perform periodic reviews of budget to actual information.

Morgan Township
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2013 and 2012

Finding Number 2013-005

Noncompliance Citation – Ohio Revised Code Section 5705.39

Ohio Revised Code Section 5705.39 states in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. The Township's appropriations exceeded estimated resources in the Miscellaneous Special Revenue and General Funds in 2012 and in the General Fund, Miscellaneous Special Revenue, and Gasoline Tax Fund for 2013. The Township should implement the appropriate procedures to assure that appropriations do not exceed the amount of estimated resources.

Township Response:

Auditor explained issues to the Fiscal Officer and she now understand how to perform periodic reviews of budget information.

Finding Number 2013-006

Noncompliance Citation – Ohio Revised Code Section 5705.41(B)

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. The Township had expenditures in excess of appropriations in 2013 in the Road and Bridge and Miscellaneous Special Revenue Funds. The Township should implement the appropriate procedures, such as periodic comparisons of expenditures to appropriations, to ensure that expenditures are limited to authorized appropriated amounts.

Township Response:

Auditor explained issues to the Fiscal Officer and she now understand how to perform periodic reviews of budget to actual information.

Morgan Township
Scioto County
Schedule of Prior Audit Findings
For the Years Ended December 31, 2013 and 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
Finding 2011-001	Material Weakness – Misclassification of Receipts/Disbursements	No	Reissued as Finding 2013-001
Finding 2011-002	Material Weakness – Budgetary Posting	No	Reissued as Finding 2013-002
Finding 2011-003	Noncompliance with ORC Section 7505.41(D) – Prior Certification of Funds	No	Reissued as Finding 2013-003
Finding 2011-004	Noncompliance with ORC Section 7505.36(A)(2) – Appropriation in Excess of Available Resources	No	Reissued as Finding 2013-004
Finding 2011-005	Noncompliance with ORC Section 7505.39 – Appropriation in Excess of Estimated Resources	No	Reissued as Finding 2013-005



Dave Yost • Auditor of State

MORGAN TOWNSHIP

SCIOTO 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 20, 2014**