



Dave Yost • Auditor of State



MORGAN TOWNSHIP  
KNOX COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Morgan Township  
Knox County  
3665 Ewart Road  
Mount Vernon, Ohio 43050

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of Morgan Township, Knox County, (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 Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

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

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

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

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

### ***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 (GAAP), to satisfy these requirements.

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

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

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

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 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, Knox County 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 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 September 2, 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.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 2, 2015

**MORGAN TOWNSHIP  
KNOX 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	Debt Service	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 31,152	\$ 166,525	\$ 4,000	\$ 201,677
Licenses, Permits and Fees	1,923	-	-	1,923
Intergovernmental	80,935	117,193	-	198,128
Earnings on Investments	305	524	-	829
Miscellaneous	140	416	-	556
<i>Total Cash Receipts</i>	<u>114,455</u>	<u>284,658</u>	<u>4,000</u>	<u>403,113</u>
<b>Cash Disbursements</b>				
Current:				
General Government	49,489	-	-	49,489
Public Safety	-	89,180	-	89,180
Public Works	-	144,875	-	144,875
Health	1,412	-	-	1,412
Capital Outlay	35,000	-	-	35,000
Debt Service:				
Principal Retirement	-	6,265	4,497	10,762
Interest and Fiscal Charges	-	1,225	158	1,383
<i>Total Cash Disbursements</i>	<u>85,901</u>	<u>241,545</u>	<u>4,655</u>	<u>332,101</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>28,554</u>	<u>43,113</u>	<u>(655)</u>	<u>71,012</u>
<b>Other Financing Receipts</b>				
Sale of Capital Assets	500	500	-	1,000
<i>Net Change in Fund Cash Balances</i>	29,054	43,613	(655)	72,012
<i>Fund Cash Balances, January 1</i>	<u>30,979</u>	<u>179,262</u>	<u>1,382</u>	<u>211,623</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	222,875	727	223,602
Assigned	60,033	-	-	60,033
<i>Fund Cash Balances, December 31</i>	<u>\$ 60,033</u>	<u>\$ 222,875</u>	<u>\$ 727</u>	<u>\$ 283,635</u>

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

**MORGAN TOWNSHIP  
KNOX 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	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$ 28,704	\$ 152,525	\$ 4,000	\$ -	\$ 185,229
Charges for Services	132	-	-	-	132
Licenses, Permits and Fees	1,085	-	-	-	1,085
Intergovernmental	17,652	127,149	-	289,582	434,383
Earnings on Investments	202	457	-	-	659
Miscellaneous	109	12,219	-	-	12,328
<i>Total Cash Receipts</i>	<u>47,884</u>	<u>292,350</u>	<u>4,000</u>	<u>289,582</u>	<u>633,816</u>
<b>Cash Disbursements</b>					
Current:					
General Government	51,514	-	-	-	51,514
Public Safety	-	93,521	-	-	93,521
Public Works	-	138,212	-	289,582	427,794
Health	1,342	-	-	-	1,342
Capital Outlay	-	54,000	-	-	54,000
Debt Service:					
Principal Retirement	-	-	4,292	-	4,292
Interest and Fiscal Charges	-	-	364	-	364
<i>Total Cash Disbursements</i>	<u>52,856</u>	<u>285,733</u>	<u>4,656</u>	<u>289,582</u>	<u>632,827</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(4,972)</u>	<u>6,617</u>	<u>(656)</u>	<u>-</u>	<u>989</u>
<b>Other Financing Receipts</b>					
Sale of Bonds	-	34,000	-	-	34,000
<i>Net Change in Fund Cash Balances</i>	<u>(4,972)</u>	<u>40,617</u>	<u>(656)</u>	<u>-</u>	<u>34,989</u>
<i>Fund Cash Balances, January 1</i>	<u>35,951</u>	<u>138,645</u>	<u>2,038</u>	<u>-</u>	<u>176,634</u>
<b>Fund Cash Balances, December 31</b>					
Restricted	-	179,262	1,382	-	180,644
Assigned	30,979	-	-	-	30,979
<i>Fund Cash Balances, December 31</i>	<u>\$ 30,979</u>	<u>\$ 179,262</u>	<u>\$ 1,382</u>	<u>\$ -</u>	<u>\$ 211,623</u>

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

**MORGAN TOWNSHIP  
KNOX 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 the Morgan Township, Knox County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, fire protection and emergency medical services. The Township contracts with the Utica Volunteer Fire Department to provide fire services and Utica Volunteer Emergency Squad to provide ambulance services.

The Township participates in one jointly organization and the Ohio Plan Risk Management (OPRM) public entity risk pool. Notes 7 and 8 to the financial statements provides additional information for these entities.

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

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

**C. Deposits**

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

The Township values a certificate of deposit at carrying value.

**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.

**MORGAN TOWNSHIP  
KNOX 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**

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

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

Road Levy Fund - This fund receives road levy money for constructing, maintaining, and repairing Township roads and bridges.

**3. Debt Service Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

Debt Retirement Fund – This fund receives property tax revenues for the payment of notes for the purchase equipment and tractor.

**4. Capital Project Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.. The Township had the following significant Capital Project Fund:

Public Works Commission Project Fund - The Township received a grant from the Ohio Public Works Commission to improve Debolt Road (Township Road – 145).

**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, 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. Appropriations lapse at year end.

**MORGAN TOWNSHIP  
KNOX COUNTY**

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

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

**E. Budgetary Process (Continued)**

**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.

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

**F. Fund Balance**

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

**1. Nonspendable**

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

**2. 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.

**3. 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.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

**MORGAN TOWNSHIP  
KNOX COUNTY**

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

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

**F. Fund Balance (Continued)**

**5. 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. The carrying amount of deposits at December 31 was as follows:

	2014	2013
Demand deposits	\$276,485	\$204,473
Certificates of deposit	7,150	7,150
Total deposits	283,635	211,623

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

**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	\$106,948	\$114,955	\$8,007
Special Revenue	290,718	285,158	(5,560)
Debt Service	4,000	4,000	0
Total	\$401,666	\$404,113	\$2,447

**MORGAN TOWNSHIP  
KNOX 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	\$137,927	\$85,901	\$52,026
Special Revenue	462,830	241,545	221,285
Debt Service	5,383	4,655	728
Total	\$606,140	\$332,101	\$274,039

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$45,925	\$47,884	\$1,959
Special Revenue	301,358	326,350	24,992
Debt Service	4,000	4,000	0
Capital Projects	0	289,582	289,582
Total	\$351,283	\$667,816	\$316,533

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$81,256	\$52,856	\$28,400
Special Revenue	433,474	285,733	147,741
Debt Service	6,038	4,656	1,382
Capital Projects	289,582	289,582	0
Total	\$810,350	\$632,827	\$177,523

Contrary to Ohio law, appropriations exceeded estimated resources in the Capital Projects Fund by \$289,582 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  
KNOX 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
Cab Tractor Bond	\$27,735	3.5%

In 2009, the Township entered into a loan agreement with First-Knox National Bank to finance the purchase of equipment for the Township, which was paid off in 2014. In 2013, the Township issued bonds with First-Knox National Bank to finance the purchase of a Cab Tractor for the Township. The Township's taxing authority collateralizes the loans.

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

Year ending December 31:	Cab Tractor Bond
2015	\$7,490
2016	7,490
2017	7,490
2018	7,490
Total	\$29,960

**6. Retirement Systems**

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan 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%, of their gross salaries and the Township contributed an amount equaling 14%, of participants' gross salaries. The Township has paid all contributions required through December 31, 2014.

**7. Risk Management**

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

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

**MORGAN TOWNSHIP  
KNOX COUNTY**

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

**7. Risk Management (Continued)**

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective

November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 and 783 members as of December 31, 2013 and 2014 respectively.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2013 and 2014.

	<b>2013</b>	<b>2014</b>
Assets	\$13,774,304	\$14,830,185
Liabilities	(7,968,395)	(8,942,504)
Members' Equity	\$5,805,909	\$5,887,681

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

**8. Jointly Governed Organization**

The Utica Volunteer Fire Department and the Utica Emergency Services are jointly governed organizations. The organizations consist of Morgan and Washington Townships and the Village of Utica. The Boards consist of a Trustee from each Township, a Council Member from the Village and four citizens appointed at-large. Morgan Township has contracted services from both the Utica Volunteer Fire Department and the Utica Emergency Services. Revenues are generated for both from operating levies placed on the ballot by the governing entities. Both Utica Volunteer Fire Department and the Utica Emergency Services are private entities.

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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  
Knox County  
3665 Ewart Road  
Mount Vernon, Ohio 43050

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, Knox County, (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 September 2, 2015, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions 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 finding 2014-002 described in the accompanying schedule of findings to be a material weakness.

***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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-001.

***Purpose of this Report***

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

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

September 2, 2015

**MORGAN TOWNSHIP  
KNOX COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2014-001**

**Noncompliance Citation**

Ohio Revised Code Section 5705.39 states, in part, that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there from, as certified by the budget commission, or in the case of appeal, by the board of tax appeals.

The following fund had appropriations in excess of estimated resources:

Fund Number	Fund Name	Estimated Resources	Appropriations	Variance
4401	Public Works Commission Project	\$0	\$289,582	(\$289,582)

During the audit period, the Township received a grant from the Ohio Public Works Commission and did not file an amended certificate of estimated resources with the Knox County Auditor for the receipt of the grant. Therefore, the Township's appropriations exceeded estimated resources. In addition, the Township's budgetary accounting records (UAN) (estimated receipts and appropriations) did not agree to the last Official Amended Certificate of Estimated Resources or the Annual Appropriation Measure net of any properly approved supplemental appropriations measures.

This could result in the Township expending more money than it receives and could cause possible negative fund balances. A lack of funds may result in the Township being unable to meet its current obligations.

We recommend the Township ensure that estimated resources are sufficient to cover the appropriations at the time of certification or amendment. We also recommend the Township update its budgetary accounting records so that they agree to the last Official Amended Certificate of Estimated Resources and the Annual Appropriation Measure net of any properly approved supplemental appropriation measures.

**MORGAN TOWNSHIP  
KNOX 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 2014-002**

**Material Weakness/ Financial Statement Presentation**

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. In addition, GASB Statement No. 54 requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources. A monitoring system should be in place to prevent or detect material misstatements for the accurate presentation of the Township's financial statements.

An audit adjustment and several audit reclassifications were posted to the Township's December 31, 2013 and 2014 financial statements and, where applicable, the accounting records to accurately reflect account balances. The following posting errors were noted:

Posting Error	2013	2014
Assigned fund balance posted as unassigned fund balance due to the provisions of GASB 54 in the General Fund.	\$30,979	\$60,033
Unrecorded OPWC intergovernmental receipts and expenditures in the Public Works Commission Project Fund.	\$289,582	
Permissive Motor Vehicle License Tax receipts misposted as intergovernmental receipts in the Permissive Motor Vehicle License Tax Fund.	\$7,576	\$7,321
Interest debt payment misposted as machinery, equipment and furniture in the Gasoline Tax Fund.		\$1,225
Principal debt payment misposted as machinery, equipment and furniture in the Gasoline Tax Fund.		\$6,265
Unrecorded sale of bonds and related capital outlay expenditure for the purchase of a tractor cab in the Gas Tax Fund.	\$34,000	

The Township's financial statements have been adjusted to accurately reflect the above classifications.

Not posting receipts and expenditures accurately to the ledgers resulted in the financial statements requiring audit adjustments and reclassification entries; furthermore, inaccurate accounting records could make it difficult for the Board of Trustees to effectively monitor the Township's activities or identify misstatements or errors in a timely manner.

**MORGAN TOWNSHIP  
KNOX COUNTY**  
**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

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

**Material Weakness/ Financial Statement Presentation (Continued)**

We recommend the Township's Fiscal Officer takes the necessary steps to ensure the accurate posting of all transactions to the ledgers. Cash receipts should be posted in accordance with procedures and posting guidelines established in the Uniform Accounting Network line item descriptions. In addition, the Township should also review AOS Bulletin 2011-004 for guidance on GASB Statement No. 54 requirements. By exercising accuracy in recording financial activity, the Township can reduce posting errors and increase the reliability of the financial data throughout the year.

We also recommend the Township implement additional procedures over the completeness and accuracy of financial information reported within the annual financial report. Such procedures may include review of the financial statements and related components with analytical comparisons of the current year annual report to the prior year reports for obvious errors or omissions.

**Officials' Response:**

We did not receive a response from the Officials to the findings reported above.

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# Dave Yost • Auditor of State

**MORGAN TOWNSHIP**

**KNOX 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  
NOVEMBER 5, 2015**