



**Auditor of State
Betty Montgomery**

MORGAN TOWNSHIP
KNOX COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2004	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2003.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15

THIS PAGE INTENTIONALLY LEFT BLANK.



**Auditor of State
Betty Montgomery**

Morgan Township
Knox County
5100 Martinsburg Road
Mount Vernon, Ohio 43050

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Township to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

July 26, 2005

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

THIS PAGE INTENTIONALLY LEFT BLANK.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Morgan Township
Knox County
5100 Martinsburg Road
Mount Vernon, Ohio 43050

To the Board of Trustees:

We have audited the accompanying financial statements of Morgan Township, Knox County, Ohio, (the Township) as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Morgan Township, Knox County, Ohio, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2005, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

July 26, 2005

**MORGAN TOWNSHIP
KNOX COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$11,886	\$72,268	\$6,000	\$90,154
Intergovernmental	22,055	127,398	0	149,453
Licenses, Permits, and Fees	1,313	0	0	1,313
Earnings on Investments	120	7	0	127
Other Revenue	265	99	0	364
	<u>35,639</u>	<u>199,772</u>	<u>6,000</u>	<u>241,411</u>
Total Cash Receipts				
	<u>35,639</u>	<u>199,772</u>	<u>6,000</u>	<u>241,411</u>
Cash Disbursements:				
Current:				
General Government	33,461	0	0	33,461
Public Safety	0	62,340	0	62,340
Public Works	0	84,693	0	84,693
Health	1,558	0	0	1,558
Debt Service:				
Redemption of Principal	554	0	6,771	7,325
Interest and Fiscal Charges	317	0	1,208	1,525
	<u>35,890</u>	<u>147,033</u>	<u>7,979</u>	<u>190,902</u>
Total Cash Disbursements				
	<u>35,890</u>	<u>147,033</u>	<u>7,979</u>	<u>190,902</u>
Total Receipts Over/(Under) Disbursements	(251)	52,739	(1,979)	50,509
Fund Cash Balances, January 1, 2004	<u>7,600</u>	<u>13,369</u>	<u>4,707</u>	<u>25,676</u>
Fund Cash Balances, December 31, 2004	<u><u>\$7,349</u></u>	<u><u>\$66,108</u></u>	<u><u>\$2,728</u></u>	<u><u>\$76,185</u></u>

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

**MORGAN TOWNSHIP
KNOX COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$12,228	\$45,854	\$4,400	\$62,482
Intergovernmental	21,399	75,327	0	96,726
Licenses, Permits, and Fees	1,728	0	0	1,728
Earnings on Investments	225	0	0	225
Other Revenue	127	99	0	226
	<u>35,707</u>	<u>121,280</u>	<u>4,400</u>	<u>161,387</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	32,708	0	0	32,708
Public Safety	0	35,179	0	35,179
Public Works	0	94,968	0	94,968
Health	1,569	0	0	1,569
Miscellaneous	0	14,900	0	14,900
Debt Service:				
Redemption of Principal	0	0	3,600	3,600
Interest and Fiscal Charges	0	0	1,069	1,069
	<u>34,277</u>	<u>145,047</u>	<u>4,669</u>	<u>183,993</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	1,430	(23,767)	(269)	(22,606)
Other Financing Receipts and Disbursements:				
Proceeds from Sale of Public Debt:				
Sale of Notes	0	14,900	0	14,900
Transfers-In	0	4,000	0	4,000
Transfers-Out	(4,000)	0	0	(4,000)
	<u>(4,000)</u>	<u>18,900</u>	<u>0</u>	<u>14,900</u>
Total Other Financing Receipts/Disbursements				
Excess of Cash Receipts and Other Financing Receipts Under Cash Disbursements and Other Financing Disbursements	(2,570)	(4,867)	(269)	(7,706)
Fund Cash Balances, January 1, 2003	<u>10,170</u>	<u>18,236</u>	<u>4,976</u>	<u>33,382</u>
Fund Cash Balances, December 31, 2003	<u>\$7,600</u>	<u>\$13,369</u>	<u>\$4,707</u>	<u>\$25,676</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, 2004 AND 2003**

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

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State 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.

C. Cash and Investments

The Township's accounting basis includes investments in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values certificates of deposit at cost.

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

2. Special Revenue Funds

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

**MORGAN TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

FEMA Fund - The Township received a grant from the Federal Government to replace culverts due to extensive flooding.

3. Debt Service Fund

This fund accounts for resources the Township accumulates to pay note debt. 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 of a mower and a truck.

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 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.

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 also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

F. 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.

**MORGAN TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2004	2003
Demand deposits	\$69,035	\$18,526
Certificates of deposit	7,150	7,150
Total deposits	\$76,185	\$25,676

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$35,851	\$35,639	(\$212)
Special Revenue	189,823	199,772	9,949
Debt Service	6,000	6,000	0
Total	\$231,674	\$241,411	\$9,737

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$43,451	\$35,890	\$7,561
Special Revenue	195,057	147,033	48,024
Debt Service	10,708	7,979	2,729
Total	\$249,216	\$190,902	\$58,314

**MORGAN TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$40,984	\$35,707	(\$5,277)
Special Revenue	147,366	140,180	(7,186)
Debt Service	4,400	4,400	0
Total	\$192,750	\$180,287	(\$12,463)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$51,155	\$38,277	\$12,878
Special Revenue	165,602	145,047	20,555
Debt Service	9,377	4,669	4,708
Total	\$226,134	\$187,993	\$38,141

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt 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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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, 2004 AND 2003
(Continued)**

5. DEBT

Debt outstanding at December 31, 2004 was as follows:

	Principal	Interest Rate
Truck Note	\$11,175	4.25%

In 2003 the Township entered into a loan agreement with Killbuck Savings Bank to finance the purchase of a truck for Township road maintenance. The Township's taxing authority collateralized the loan.

In 2004, the Township paid off notes issued in 1999 for the purchase of a mower.

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

Year ending December 31:	Truck Note
2005	\$4,121
2006	3,962
2007	3,804
Total	\$11,887

6. RETIREMENT SYSTEMS

The Township's employees belong to 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 2004 and 2003, OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

7. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

8. SUBSEQUENT EVENTS

On April 18, 2005, the Township issued \$35,000 in notes to purchased a tractor.

THIS PAGE INTENTIONALLY LEFT BLANK.



Auditor of State Betty Montgomery

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

Morgan Township
Knox County
5100 Martinsburg Road
Mount Vernon, Ohio 43050

To the Board of Trustees:

We have audited the financial statements of the Morgan Township, Knox County, Ohio, (the Township) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated July 26, 2005, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider 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, providing an opinion 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 that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001. In a separate letter to the Township's management dated July 26, 2005, we reported an other matter related to noncompliance we deemed immaterial.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

Morgan Township
Knox County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the management and Board of Trustees. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 26, 2005

**MORGAN TOWNSHIP
KNOX COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

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

FINDING NUMBER 2004-001

Finding for Recovery Repaid Under Audit

House Bill 712 passed by the Ohio General Assembly became effective on December 8, 2000. This legislation amended Ohio Rev. Code Section 505.24, providing an automatic increase in the per-diem salary amount payable to township trustees.

The Board of Trustees agreed to receive the maximum compensation as allowed by the Ohio Rev. Code for 2003. In 2003, Charles Rowley and Paul Hunter received a 3% salary increase, rather than the salary established under HB 712, which allowed for an increase in 2003 for the lesser of 3%, or the change in the consumer price index for the 12 month period ending September 30th of the previous calendar year. The consumer price index was lower than 3% for the 12 month period ending September 30, 2002. As a result, the Trustees were over paid in 2003 by the difference between 3% salary increase paid and the consumer price index for 2002.

Trustee	Compensation Paid 2003	Allowable Compensation per Ohio Revised Code	Amount Over Paid
Charles Rowley	\$6,607	\$6,500	\$107
Paul Hunter	\$6,607	\$6,500	\$107
		Total	\$214

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public money illegally expended would have been issued against Charles Rowley, Township Trustee, and his bonding company, Ohio Farmers Insurance Company, jointly and severally, in the amount of \$107.

In addition, a finding for recovery for public money illegally expended would have been issued against Paul Hunter, Township Trustee, and his bonding company, Ohio Farmers Insurance Company, jointly and severally, in the amount of \$107.

Charles Rowley and Paul Hunter repaid their respective amounts to the Township's General Fund on July 29, 2005.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
SEPTEMBER 1, 2005**