



**MORGAN TOWNSHIP
KNOX COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000-1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

MORGAN TOWNSHIP
KNOX COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

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, 2000 and December 31, 1999. 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 audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Morgan Township, Knox County, Ohio as of December 31, 2000 and December 31, 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

April 20, 2001

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**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, 2000**

| | <u>Governmental Fund Types</u> | | | | Totals (Memorandum Only) |
|---|--------------------------------|----------------------------|-------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | | |
| Local Taxes | \$7,003 | \$27,191 | \$10,000 | \$0 | \$44,194 |
| Intergovernmental | 22,044 | 68,791 | 0 | 2,878 | 93,713 |
| Licenses, Permits, and Fees | 742 | 0 | 0 | 0 | 742 |
| Earnings on Investments | 716 | 312 | 0 | 0 | 1,028 |
| | <u>30,505</u> | <u>96,294</u> | <u>10,000</u> | <u>2,878</u> | <u>139,677</u> |
| Total Cash Receipts | | | | | |
| | <u>30,505</u> | <u>96,294</u> | <u>10,000</u> | <u>2,878</u> | <u>139,677</u> |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| General Government | 20,052 | 0 | 0 | 0 | 20,052 |
| Public Safety | 0 | 21,749 | 0 | 0 | 21,749 |
| Public Works | 0 | 83,682 | 0 | 0 | 83,682 |
| Health | 922 | 0 | 0 | 0 | 922 |
| Debt Service: | | | | | |
| Redemption of Principal | 0 | 3,600 | 10,000 | 0 | 13,600 |
| Interest and Fiscal Charges | 4,092 | 0 | 0 | 0 | 4,092 |
| Capital Outlay | 0 | 0 | 0 | 2,878 | 2,878 |
| | <u>25,066</u> | <u>109,031</u> | <u>10,000</u> | <u>2,878</u> | <u>146,975</u> |
| Total Cash Disbursements | | | | | |
| | <u>25,066</u> | <u>109,031</u> | <u>10,000</u> | <u>2,878</u> | <u>146,975</u> |
| Total Receipts Over/(Under) Disbursements | <u>5,439</u> | <u>(12,737)</u> | <u>0</u> | <u>0</u> | <u>(7,298)</u> |
| Other Financing Receipts/(Disbursements): | | | | | |
| Sale of Fixed Assets | 130 | 0 | 0 | 0 | 130 |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | <u>5,569</u> | <u>(12,737)</u> | <u>0</u> | <u>0</u> | <u>(7,168)</u> |
| Fund Cash Balances, January 1, 2000 | <u>15,921</u> | <u>48,226</u> | <u>5,000</u> | <u>0</u> | <u>69,147</u> |
| Fund Cash Balances, December 31, 2000 | <u><u>\$21,490</u></u> | <u><u>\$35,489</u></u> | <u><u>\$5,000</u></u> | <u><u>\$0</u></u> | <u><u>\$61,979</u></u> |
| Reserve for Encumbrances, December 31, 2000 | <u><u>\$0</u></u> | <u><u>\$0</u></u> | <u><u>\$0</u></u> | <u><u>\$0</u></u> | <u><u>\$0</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, 1999**

| | <u>Governmental Fund Types</u> | | | | Totals (Memorandum Only) |
|--|--------------------------------|----------------------------|-------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | | |
| Local Taxes | \$5,546 | \$26,827 | \$10,000 | \$0 | \$42,373 |
| Intergovernmental | 20,559 | 68,542 | 0 | 69,713 | 158,814 |
| Licenses, Permits, and Fees | 913 | 0 | 0 | 0 | 913 |
| Earnings on Investments | 683 | 638 | 0 | 0 | 1,321 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Cash Receipts | 27,701 | 96,007 | 10,000 | 69,713 | 203,421 |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| General Government | 21,188 | 0 | 0 | 0 | 21,188 |
| Public Safety | 0 | 23,445 | 0 | 0 | 23,445 |
| Public Works | 0 | 77,966 | 0 | 0 | 77,966 |
| Health | 664 | 0 | 0 | 0 | 664 |
| Debt Service: | | | | | |
| Redemption of Principal | 0 | 0 | 10,000 | 0 | 10,000 |
| Interest and Fiscal Charges | 3,044 | 0 | 0 | 0 | 3,044 |
| Capital Outlay | 0 | 24,646 | 0 | 69,713 | 94,359 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Cash Disbursements | 24,896 | 126,057 | 10,000 | 69,713 | 230,666 |
| Total Receipts Over/(Under) Disbursements | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| | 2,805 | (30,050) | 0 | 0 | (27,245) |
| Other Financing Receipts/(Disbursements): | | | | | |
| Proceeds from Sale of Public Debt: | | | | | |
| Sale of Notes | 0 | 18,000 | 0 | 0 | 18,000 |
| Sale of Fixed Assets | 0 | 900 | 0 | 0 | 900 |
| Other Sources | 257 | 0 | 0 | 0 | 257 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Other Financing Receipts/(Disbursements) | 257 | 18,900 | 0 | 0 | 19,157 |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| | 3,062 | (11,150) | 0 | 0 | (8,088) |
| Fund Cash Balances, January 1, 1999 | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| | 12,859 | 59,376 | 5,000 | 0 | 77,235 |
| Fund Cash Balances, December 31, 1999 | <hr/> \$15,921 | <hr/> \$48,226 | <hr/> \$5,000 | <hr/> \$0 | <hr/> \$69,147 |
| Reserve for Encumbrances, December 31, 1999 | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| | \$466 | \$0 | \$0 | \$0 | \$466 |

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

**MORGAN TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND DECEMBER 31, 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Morgan Township, Knox County, Ohio, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with 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 prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposits are valued at cost.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds are used to 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 Fund:

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

**MORGAN TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND DECEMBER 31, 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Accounting (continued)

3. Debt Service Fund

The Debt Service Fund is used to accumulate resources for the payment of note indebtedness.

Debt Retirement - This fund receives property tax revenues for the payment of notes on the purchase of a road grader.

4. Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following Capital Project Fund:

Issue II Fund - The Township received a grant from the State of Ohio for road work.

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 and 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 unencumbered 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. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**MORGAN TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND DECEMBER 31, 1999
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

| | <u>2000</u> | <u>1999</u> |
|-------------------------|------------------------|------------------------|
| Demand deposits | \$54,829 | \$61,997 |
| Certificates of deposit | <u>7,150</u> | <u>7,150</u> |
| Total deposits | <u><u>\$61,979</u></u> | <u><u>\$69,147</u></u> |

Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and December 31, 1999 follows:

| 2000 Budgeted vs. Actual Receipts | | | |
|--|-------------------------|-------------------------|-----------------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$30,299 | \$30,635 | \$336 |
| Special Revenue | 91,149 | 96,294 | 5,145 |
| Debt Service | 10,000 | 10,000 | 0 |
| Capital Projects | <u>2,878</u> | <u>2,878</u> | <u>0</u> |
| Total | <u><u>\$134,326</u></u> | <u><u>\$139,807</u></u> | <u><u>\$5,481</u></u> |

| 2000 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|--|----------------------------|---------------------------|------------------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$46,053 | \$25,066 | \$20,987 |
| Special Revenue | 139,837 | 109,031 | 30,806 |
| Debt Service | 15,000 | 10,000 | 5,000 |
| Capital Projects | <u>2,878</u> | <u>2,878</u> | <u>0</u> |
| Total | <u><u>\$203,768</u></u> | <u><u>\$146,975</u></u> | <u><u>\$56,793</u></u> |

**MORGAN TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND DECEMBER 31, 1999
(Continued)**

3. BUDGETARY ACTIVITY (continued)

| 1999 Budgeted vs. Actual Receipts | | | |
|--|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$27,121 | \$27,958 | \$837 |
| Special Revenue | 89,150 | 114,907 | 25,757 |
| Debt Service | 10,000 | 10,000 | 0 |
| Capital Projects | 89,000 | 69,713 | (19,287) |
| Total | \$215,271 | \$222,578 | \$7,307 |

| 1999 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|--|----------------------------|---------------------------|----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$39,798 | \$25,362 | \$14,436 |
| Special Revenue | 157,493 | 126,057 | 31,436 |
| Debt Service | 15,000 | 10,000 | 5,000 |
| Capital Projects | 89,000 | 69,713 | 19,287 |
| Total | \$301,291 | \$231,132 | \$70,159 |

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions.

Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

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.

5. DEBT

Debt outstanding at December 31, 2000 was as follows:

| | Principal | Interest Rate |
|--------|-----------|------------------|
| Grader | \$20,000 | 7.9% |
| Mower | 14,400 | 5.15% |
| | \$34,400 | |

**MORGAN TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND DECEMBER 31, 1999
(Continued)**

5. DEBT (continued)

The grader note will be repaid in annual installments of \$10,000, plus an increasing interest rate of .2% each year, over the next two years.

The mower note will be repaid in annual installments of \$3,600, plus interest, over the next four years.

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

| Year ending December 31: | Grader Note | Mower Note |
|-----------------------------|----------------|---------------|
| 2001 | 14,740 | 3,785 |
| 2002 | 15,670 | 3,785 |
| 2003 | 0 | 3,785 |
| 2004 | 0 | 3,785 |
| Total | \$30,410 | \$15,140 |

6. RETIREMENT SYSTEMS

All employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, members of PERS contributed 8.5% of their gross salaries. In 1999, the Township contributed an amount equal to 13.55% of participants' gross salaries. In 2000, the average employers' contribution rate was 10.84% of participants' gross salaries. The Township has paid all contributions required through December 31, 2000.

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
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 accompanying financial statements of Morgan Township, Knox County, Ohio (the Township), as of and for the years ended December 31, 2000 and December 31, 1999, and have issued our report thereon dated April 20, 2001. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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 grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated April 20, 2001

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Township in a separate letter dated April 20, 2001.

Morgan Township
Knox County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

April 20, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
MAY 10, 2001**