



**MORRIS TOWNSHIP
KNOX COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006-2005



Mary Taylor, CPA
Auditor of State

MORRIS TOWNSHIP
KNOX COUNTY

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MORRIS TOWNSHIP
KNOX COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Morris Township
Knox County
15738 Lower Fred-Amity Road
Fredericktown, Ohio 43019

To the Board of Directors:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Morris Township, Knox County, Ohio, (the Township) as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions 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 opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund and the aggregate remaining fund information of Morris Township, Knox County, Ohio, as of December 31, 2006 and 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General, Gasoline Tax, Road and Bridge, Motor Vehicle License Tax and Fire District Fund, thereof for the years then ended in conformity with the accounting basis Note 2 describes.

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For the year ended December 31, 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2007, 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.

The aforementioned revision to generally accepting accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. 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.

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

Mary Taylor, CPA
Auditor of State

March 5, 2007

MORRIS TOWNSHIP
KNOX COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2006

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$242,286
<i>Total Assets</i>	<u>\$242,286</u>
Net Assets	
Restricted for:	
Permanent Fund:	
Nonexpendable	3,880
Other Purposes	170,346
Unrestricted	68,060
<i>Total Net Assets</i>	<u>\$242,286</u>

See accompanying notes to the basic financial statements

**MORRIS TOWNSHIP
KNOX COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Program Cash Receipts			Capital Grants and Contributions	Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions		
Governmental Activities					
General Government	\$79,411	\$4,889	\$0	\$0	(\$74,522)
Public Safety	99,885	0	0	0	(99,885)
Public Works	91,133	0	93,914	0	2,781
Health	4,314	0	0	0	(4,314)
Conservation-Recreation	25	0	0	0	(25)
Capital Outlay	176,005	0	9,535	125,720	(40,750)
<i>Total Governmental Activities</i>	<u>\$450,773</u>	<u>\$4,889</u>	<u>\$103,449</u>	<u>\$125,720</u>	(216,715)
General Receipts					
Property Taxes					180,481
Grants and Entitlements not Restricted to Specific Programs					69,612
Sale of Notes					40,750
Sale of Fixed Assets					1,801
Earnings on Investments					3,532
Miscellaneous					1,643
<i>Total General Receipts</i>					297,819
Change in Net Assets					81,104
<i>Net Assets Beginning of Year</i>					<u>161,182</u>
<i>Net Assets End of Year</i>					<u>\$242,286</u>

See accompanying notes to the basic financial statements

**MORRIS TOWNSHIP
KNOX COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

	GENERAL	GASOLINE TAX	ROAD AND BRIDGE	FIRE DISTRICT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Assets						
Equity in Pooled Cash and Cash Equivalents	\$68,060	\$82,437	\$53,206	\$463	\$38,120	\$242,286
<i>Total Assets</i>	<u>\$68,060</u>	<u>\$82,437</u>	<u>\$53,206</u>	<u>\$463</u>	<u>\$38,120</u>	<u>\$242,286</u>
Fund Balances						
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	68,060	0	0	0	0	68,060
Special Revenue Funds	0	82,437	53,206	463	34,240	170,346
Permanent Fund	0	0	0	0	3,880	3,880
<i>Total Fund Balances</i>	<u>\$68,060</u>	<u>\$82,437</u>	<u>\$53,206</u>	<u>\$463</u>	<u>\$38,120</u>	<u>\$242,286</u>

See accompanying notes to the basic financial statements

**MORRIS TOWNSHIP
KNOX COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	GENERAL	GASOLINE TAX	ROAD AND BRIDGE	FIRE DISTRICT	ISSUE 2 TR 275 MCKENZIE	OTHER GOVERNMENTAL FUNDS	TOTAL
Receipts							
Property and Other Local Taxes	\$37,827	\$0	\$56,743	\$85,911	\$0	\$0	\$180,481
Licenses, Permits and Fees	4,589	0	0	0	0	300	4,889
Intergovernmental	52,291	85,545	7,444	10,796	125,720	17,904	299,700
Earnings on Investments	2,260	810	0	0	0	462	3,532
Miscellaneous	604	120	0	0	0	0	724
Total Receipts	97,571	86,475	64,187	96,707	125,720	18,666	489,326
Disbursements							
Current:							
General Government	79,411	0	0	0	0	0	79,411
Public Safety	100	0	0	99,785	0	0	99,885
Public Works	681	54,601	27,251	0	0	8,600	91,133
Health	3,945	0	0	0	0	369	4,314
Conservation-Recreation	25	0	0	0	0	0	25
Capital Outlay	0	0	9,535	0	125,720	40,750	176,005
Total Disbursements	84,162	54,601	36,786	99,785	125,720	49,719	450,773
Excess of Receipts Over (Under) Disbursements	13,409	31,874	27,401	(3,078)	0	(31,053)	38,553
Other Financing Sources							
Sale of Notes	0	0	0	0	0	40,750	40,750
Sale of Fixed Assets	1,801	0	0	0	0	0	1,801
Total Other Financing Sources (Uses)	1,801	0	0	0	0	40,750	42,551
Net Change in Fund Balances	15,210	31,874	27,401	(3,078)	0	9,697	81,104
Fund Balances Beginning of Year	52,850	50,563	25,805	3,541	0	28,423	161,182
Fund Balances End of Year	\$68,060	\$82,437	\$53,206	\$463	\$0	\$38,120	\$242,286

See accompanying notes to the basic financial statements

**MORRIS TOWNSHIP
KNOX COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$32,200	\$32,200	\$37,827	\$5,627
Licenses, Permits and Fees	3,142	3,142	4,589	1,447
Intergovernmental	43,640	43,640	52,291	8,651
Earnings on Investments	1,236	1,236	2,260	1,024
Miscellaneous	1,030	1,030	604	(426)
<i>Total receipts</i>	<u>81,248</u>	<u>81,248</u>	<u>97,571</u>	<u>16,323</u>
Disbursements				
Current:				
General Government	91,921	91,921	79,411	12,510
Public Safety	100	100	100	0
Public Works	700	700	681	19
Health	4,600	4,600	3,945	655
Conservation-Recreation	100	100	25	75
<i>Total Disbursements</i>	<u>97,421</u>	<u>97,421</u>	<u>84,162</u>	<u>13,259</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(16,173)</u>	<u>(16,173)</u>	<u>13,409</u>	<u>29,582</u>
Other Financing Sources (Uses)				
Sale of Fixed Assets	0.00	0.00	1,801	0.00
<i>Net Change in Fund Balance</i>	(16,173)	(16,173)	15,210	29,582
<i>Fund Balance Beginning of Year</i>	<u>52,850</u>	<u>52,850</u>	<u>52,850</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$36,677</u></u>	<u><u>\$36,677</u></u>	<u><u>\$68,060</u></u>	<u><u>\$29,582</u></u>

See accompanying notes to the basic financial statements

**MORRIS TOWNSHIP
KNOX COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GASOLINE TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$70,143	\$70,143	\$85,545	\$15,402
Earnings on Investments	117	117	810	693
Miscellaneous	103	103	120	17
<i>Total receipts</i>	<u>70,363</u>	<u>70,363</u>	<u>86,475</u>	<u>16,112</u>
Disbursements				
Current:				
Public Works	58,900	58,900	54,601	4,299
<i>Total Disbursements</i>	<u>58,900</u>	<u>58,900</u>	<u>54,601</u>	<u>4,299</u>
<i>Excess of Receipts Over Disbursements</i>	<u>11,463</u>	<u>11,463</u>	<u>31,874</u>	<u>20,411</u>
<i>Fund Balance Beginning of Year</i>	<u>50,563</u>	<u>50,563</u>	<u>50,563</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$62,026</u>	<u>\$62,026</u>	<u>\$82,437</u>	<u>\$20,411</u>

See accompanying notes to the basic financial statements

**MORRIS TOWNSHIP
KNOX COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
ROAD AND BRIDGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$48,300	\$48,300	\$56,743	\$8,443
Intergovernmental	6,770	6,770	7,444	674
Miscellaneous	1,060	1,060	0	(1,060)
<i>Total receipts</i>	<u>56,130</u>	<u>56,130</u>	<u>64,187</u>	<u>8,057</u>
Disbursements				
Current:				
Public Works	58,500	58,965	27,251	31,714
Capital Outlay	0	9,535	9,535	0
<i>Total Disbursements</i>	<u>58,500</u>	<u>68,500</u>	<u>36,786</u>	<u>31,714</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(2,370)</u>	<u>(12,370)</u>	<u>27,401</u>	<u>39,771</u>
<i>Fund Balance Beginning of Year</i>	<u>25,805</u>	<u>25,805</u>	<u>25,805</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$23,435</u>	<u>\$13,435</u>	<u>\$53,206</u>	<u>\$39,771</u>

See accompanying notes to the basic financial statements

**MORRIS TOWNSHIP
KNOX COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
FIRE DISTRICT FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$87,000	\$89,265	\$85,911	(\$3,354)
Intergovernmental	6,418	10,740	10,796	56
<i>Total receipts</i>	<u>93,418</u>	<u>100,005</u>	<u>96,707</u>	<u>(3,298)</u>
Disbursements				
Current:				
Public Safety	93,418	99,785	99,785	0
<i>Total Disbursements</i>	<u>93,418</u>	<u>99,785</u>	<u>99,785</u>	<u>0</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>0</u>	<u>220</u>	<u>(3,078)</u>	<u>(3,298)</u>
<i>Fund Balance Beginning of Year</i>	<u>3,541</u>	<u>3,541</u>	<u>3,541</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$3,541</u></u>	<u><u>\$3,761</u></u>	<u><u>\$463</u></u>	<u><u>(\$3,298)</u></u>

See accompanying notes to the basic financial statements

MORRIS TOWNSHIP
KNOX COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2005

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$161,182
<i>Total Assets</i>	<u>161,182</u>
Net Assets	
Restricted for:	
Permanent Fund:	
Nonexpendable	3,825
Other Purposes	104,507
Unrestricted	<u>52,850</u>
<i>Total Net Assets</i>	<u>\$161,182</u>

See accompanying notes to the basic financial statements

**MORRIS TOWNSHIP
KNOX COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General Government	\$85,947	\$5,959	\$0	(\$79,988)
Public Safety	50,777	0	0	(50,777)
Public Works	93,797	0	90,450	(3,347)
Health	4,407	0	0	(4,407)
Conservation-Recreation	25	0	0	(25)
<i>Total Governmental Activities</i>	<u>\$234,953</u>	<u>\$5,959</u>	<u>\$90,450</u>	<u>(138,544)</u>
General Receipts				
Property Taxes				132,636
Grants and Entitlements not Restricted to Specific Programs				57,988
Earnings on Investments				1,221
Miscellaneous				1,111
<i>Total General Receipts</i>				<u>192,956</u>
Change in Net Assets				54,412
<i>Net Assets Beginning of Year</i>				<u>106,770</u>
<i>Net Assets End of Year</i>				<u>\$161,182</u>

See accompanying notes to the basic financial statements

MORRIS TOWNSHIP
KNOX COUNTY

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2005

	GENERAL	GASOLINE TAX	ROAD AND BRIDGE	FIRE DISTRICT	MOTOR VEHICLE LICENSE TAX	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Assets							
Equity in Pooled Cash and Cash Equivalents	\$52,850	\$50,563	\$25,805	\$3,541	\$16,901	\$11,522	\$161,182
<i>Total Assets</i>	<u>\$52,850</u>	<u>\$50,563</u>	<u>\$25,805</u>	<u>\$3,541</u>	<u>\$16,901</u>	<u>\$11,522</u>	<u>\$161,182</u>
Fund Balances							
Unreserved:							
Undesignated (Deficit), Reported in:							
General Fund	52,850	0	0	0	0	0	52,850
Special Revenue Funds	0	50,563	25,805	3,541	16,901	7,697	104,507
Permanent Funds	0	0	0	0	0	3,825	3,825
<i>Total Fund Balances</i>	<u>\$52,850</u>	<u>\$50,563</u>	<u>\$25,805</u>	<u>\$3,541</u>	<u>\$16,901</u>	<u>\$11,522</u>	<u>\$161,182</u>

See accompanying notes to the basic financial statements

**MORRIS TOWNSHIP
KNOX COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	GENERAL	GASOLINE TAX	ROAD AND BRIDGE	FIRE DISTRICT	MOTOR VEHICLE LICENSE TAX	OTHER GOVERNMENTAL FUNDS	TOTAL
Receipts							
Property and Other Local Taxes	\$33,938	\$0	\$50,907	\$47,791	\$0	\$0	\$132,636
Licenses, Permits and Fees	5,959	0	0	0	0	0	5,959
Intergovernmental	45,462	73,230	6,979	6,427	10,043	7,178	149,319
Earnings on Investments	972	155	0	0	63	31	1,221
Miscellaneous	230	0	0	0		0	230
Total Receipts	86,561	73,385	57,886	54,218	10,106	7,209	289,365
Disbursements							
Current:							
General Government	85,947	0	0	0	0	0	85,947
Public Safety	100	0	0	50,677	0	0	50,777
Public Works	654	49,341	37,009	0	6,793	0	93,797
Health	4,262	0	0	0	0	145	4,407
Conservation-Recreation	25	0	0	0	0	0	25
Total Disbursements	90,988	49,341	37,009	50,677	6,793	145	234,953
Excess of Receipts Over (Under) Disbursements	(4,427)	24,044	20,877	3,541	3,313	7,064	54,412
Fund Balances Beginning of Year	57,277	26,519	4,928	0	13,588	4,458	106,770
Fund Balances End of Year	<u>\$52,850</u>	<u>\$50,563</u>	<u>\$25,805</u>	<u>\$3,541</u>	<u>\$16,901</u>	<u>\$11,522</u>	<u>\$161,182</u>

See accompanying notes to the basic financial statements

**MORRIS TOWNSHIP
KNOX COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$33,500	\$33,500	\$33,938	\$438
Licenses, Permits and Fees	3,050	3,050	5,959	2,909
Intergovernmental	44,700	44,700	45,463	763
Earnings on Investments	1,200	1,200	972	(228)
Miscellaneous	1,000	1,000	230	(770)
<i>Total receipts</i>	<u>83,450</u>	<u>83,450</u>	<u>86,562</u>	<u>3,112</u>
Disbursements				
Current:				
General Government	132,110	132,267	85,947	46,320
Public Safety	100	100	100	0
Public Works	1,000	1,000	654	346
Health	8,600	8,443	4,262	4,181
Conservation-Recreation	100	100	25	75
<i>Total Disbursements</i>	<u>141,910</u>	<u>141,910</u>	<u>90,988</u>	<u>50,922</u>
<i>Excess of Receipts Over Disbursements</i>	<u>(58,460)</u>	<u>(58,460)</u>	<u>(4,426)</u>	<u>54,034</u>
Other Financing Sources (Uses)				
Sale of Fixed Assets	1,188	1,188	0	(1,188)
<i>Net Change in Fund Balance</i>	(57,272)	(57,272)	(4,426)	52,846
<i>Fund Balance Beginning of Year</i>	<u>57,276</u>	<u>57,276</u>	<u>57,276</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$4</u>	<u>\$4</u>	<u>\$52,850</u>	<u>\$52,846</u>

See accompanying notes to the basic financial statements

**MORRIS TOWNSHIP
KNOX COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GASOLINE TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$68,100	\$68,100	\$73,230	\$5,130
Earnings on Investments	113	113	155	42
Miscellaneous	100	100	0	(100)
<i>Total receipts</i>	<u>68,313</u>	<u>68,313</u>	<u>73,385</u>	<u>5,072</u>
Disbursements				
Current:				
Public Works	94,830	94,830	49,341	45,489
<i>Total Disbursements</i>	<u>94,830</u>	<u>94,830</u>	<u>49,341</u>	<u>45,489</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(26,517)</u>	<u>(26,517)</u>	<u>24,044</u>	<u>50,561</u>
<i>Fund Balance Beginning of Year</i>	<u>26,519</u>	<u>26,519</u>	<u>26,519</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$2</u>	<u>\$2</u>	<u>\$50,563</u>	<u>\$50,561</u>

See accompanying notes to the basic financial statements

**MORRIS TOWNSHIP
KNOX COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
ROAD AND BRIDGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$51,800	\$51,800	\$50,907	(\$893)
Intergovernmental	8,750	8,750	6,979	(1,771)
Miscellaneous	1,029	1,029	0	(1,029)
<i>Total receipts</i>	<u>61,579</u>	<u>61,579</u>	<u>57,886</u>	<u>(3,693)</u>
Disbursements				
Current:				
Public Works	66,507	66,507	37,009	29,498
<i>Total Disbursements</i>	<u>66,507</u>	<u>66,507</u>	<u>37,009</u>	<u>29,498</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(4,928)</u>	<u>(4,928)</u>	<u>20,877</u>	<u>25,805</u>
<i>Fund Balance Beginning of Year</i>	<u>4,928</u>	<u>4,928</u>	<u>4,928</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$25,805</u>	<u>\$25,805</u>

See accompanying notes to the basic financial statements

**MORRIS TOWNSHIP
KNOX COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
FIRE DISTRICT FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$50,000	\$50,000	\$47,791	(\$2,209)
Intergovernmental	8,309	8,309	6,427	(1,882)
<i>Total receipts</i>	<u>58,309</u>	<u>58,309</u>	<u>54,218</u>	<u>(4,091)</u>
Disbursements				
Current:				
Public Safety	58,300	58,300	50,677	7,623
<i>Total Disbursements</i>	<u>58,300</u>	<u>58,300</u>	<u>50,677</u>	<u>7,623</u>
<i>Excess of Receipts Over Disbursements</i>	<u>9</u>	<u>9</u>	<u>3,541</u>	<u>3,532</u>
<i>Fund Balance Beginning of Year</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$9</u>	<u>\$9</u>	<u>\$3,541</u>	<u>\$3,532</u>

See accompanying notes to the basic financial statements

**MORRIS TOWNSHIP
KNOX COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
MOTOR VEHICLE LICENSE TAX
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$10,815	\$10,815	\$10,043	(\$772)
Earnings on Investments	566	566	63	(503)
<i>Total receipts</i>	<u>11,381</u>	<u>11,381</u>	<u>10,106</u>	<u>(1,275)</u>
Disbursements				
Current:				
Public Works	10,300	10,300	6,793	3,507
<i>Total Disbursements</i>	<u>10,300</u>	<u>10,300</u>	<u>6,793</u>	<u>3,507</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,081</u>	<u>1,081</u>	<u>3,313</u>	<u>2,232</u>
<i>Fund Balance Beginning of Year</i>	<u>13,080</u>	<u>13,080</u>	<u>13,588</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$14,161</u>	<u>\$14,161</u>	<u>\$16,901</u>	<u>\$2,232</u>

See accompanying notes to the basic financial statements

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**MORRIS TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005**

Note 1 – Reporting Entity

Morris Township, Knox County, Ohio, is a body politic and corporate established in 1808 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Morris Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

The reporting entity is comprised of the primary government.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The portion of Morris Township which lies in the Mount Vernon School District contracts with the City of Mount Vernon for fire protection. Fire protection for the other portion of the Township, which lies in the Fredericktown School District, is provided by the Fredericktown Fire and Ambulance District. Both contracts are supported by voted mileage of the residents in the Township. Police protection is provided by the Knox County Sheriff's Department.

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash balance of the governmental activities of Morris Township at year end. The statement of activities compares disbursements with program receipts for each of Morris Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which Morris Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions.

**MORRIS TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from Morris Township's general receipts.

Fund Financial Statements

During the year, Morris Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of Morris Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

Morris Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use.

Governmental Funds

Morris Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. Morris Township has six major governmental funds. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to Morris Township for any purpose provided it is expended or transferred according to the general laws of Ohio. The Gasoline Tax Fund, Road and Bridge Fund and Motor Vehicle License Tax Fund balances are available to Morris Township for the purpose of maintaining the Township's roads and Bridges. The Fire District Fund balance is paid to the City of Mount Vernon for fire protection. The Issue II Fund was used for road construction due to weather damage to the township roads.

The other governmental funds of Morris Township account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

Morris Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in Morris Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by Morris Township are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

**MORRIS TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Morris Township may appropriate.

The appropriations ordinance is Morris Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by Morris Township. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by Morris Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Investments

To improve cash management, cash received by Morris Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents.

During 2006, the Township invested in nonnegotiable certificates of deposit. The nonnegotiable certificates of deposit are reported at cost.

Interest earnings are allocated to Morris Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2006 and 2005 was \$2,260 and \$972, respectively. Interest receipts credited to the Gasoline Tax Fund during 2006 and 2005 was \$810 and \$155, respectively. Interest receipts credited to the Motor Vehicle License Tax Fund during 2006 and 2005 was \$249 and \$96, respectively. Interest receipts credited to the Chapel Cemetery Bequest Fund for 2006 and 2005 was \$92 and \$23 and for the Skeen Cemetery Bequest Fund \$33 and \$8 for 2006 and 2005 respectively.

MORRIS TOWNSHIP
KNOX COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent \$174,226 and \$108,332 for 2006 and 2005 respectively.

G. Capital Assets

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

H. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's cash basis of accounting.

I. Employer Contributions to Cost-Sharing Pension Plans

Morris Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets are restricted for maintaining the Township's road and bridges through the Gasoline Tax Fund, Motor Vehicle Fund and the Road and Bridge Fund. The Morris Township's bequest funds are also restricted.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

Note 3- Change in Presentation

In 2004, the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribes by the State Auditor's Office. The Township has implemented the cash basis of accounting described in note 2, for December 31, 2005. The fund financial statements now present each major fund in a separate column, rather than a column for each fund type.

**MORRIS TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and all major special revenue funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. There were no outstanding encumbrances at year end.

Note 5 – Deposits and Investments

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon Morris Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by Morris Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

**MORRIS TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 5 – Deposits and Investments (continued)

7. The State Treasurer's investment pool (STAR Ohio).

Protection of the Township's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Township by the financial institution, or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Township or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the Township had no undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

Deposits

At December 31, 2006, the carrying amount of the Township's deposits was \$242,286. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosure", at December 31, 2006, the Township's bank balance of \$249,339 was exposed to custodial risk as discussed below, while \$162,408 was covered by the Federal Deposit Insurance Corporation (FDIC).

At December 31, 2005, the carrying amount of the Township's deposits was \$161,182. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosure", at December 31, 2005, the Township's bank balance of \$172,578 was exposed to custodial risk as discussed below, while \$159,825 was covered by the Federal Deposit Insurance Corporation (FDIC).

Although all state statutory requirements for deposit were met, non compliance with federal requirements could potentially subject the Township to a successful claim of the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the Township's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral pools at Federal Reserve Banks, or at member banks of the Federal Reserve System, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Township.

Deposits

Morris Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with Morris Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**MORRIS TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 6– Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2005, on the true value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2006, and 2005 was \$57 and \$ 57 respectively per \$1,000 of assessed value, Mount Vernon School District and \$77 and \$78 per \$1,000 of assessed value for Fredericktown School District.

The assessed values of real property, public utility property, and tangible personal property upon which 2006 and 2005 property tax receipts were based are as follows:

Real Property	2006	2005
Residential	\$ 28,096,620	\$ 24,926,890
Agriculture	6,892,740	6,643,080
Commercial/Industrial/Mineral	1,961,450	1,952,620
Public Utility Property		
Real	23,330	23,620
Personal	2,612,670	1,369,880
Tangible Personal Property	1,756,070	1,785,050
Total Assessed Value	\$ 41,343,380	\$ 36,701,140

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.

**MORRIS TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 7 – Risk Management (continued)

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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

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, 2005 and 2004 (latest information available).

**MORRIS TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 7 – Risk Management (continued)

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	(12,344,576)	(11,086,379)
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>

<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	(1,406,031)	(543,176)
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

The Casualty Coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment.

Note 8 – Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2006 and 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9.0 and 8.0 percent respectively of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Township's contribution rate for pension benefits for 2006 and 2005 was 13.70 and 9.55 percent, except for those plan members in law enforcement or public safety.

**MORRIS TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 8 – Defined Benefit Pension Plan (continued)

A. Ohio Public Employees Retirement System (continued)

For those classifications, the Township's pension contributions were 17.17 and 12.7 percent for 2006 and 2005 of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

Morris Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$17,331, \$16,108, and \$18,961 respectively. The full amount has been contributed for 2006, 2005 and 2004. Contributions to the member-directed plan for 2006 and 2005 were \$10,460 and \$9,898 made by Morris Township and \$6,872 and \$6,209 made by the plan members.

Note 9 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.70 percent of covered payroll (16.93 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .5 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1 and 6 percent annually for the next eight years and 4 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$210,421. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2005, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2008. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

**MORRIS TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 10 - Notes Payable

A summary of the note transactions for the year ended December 31, 2006, follows:

	Interest Rate	Balance December 31, 2005	Additions	Reductions	Balance December 31, 2006
2006 John Deere Tractor	5.00%	\$ 0	\$40,750	\$0.00	\$40,750

The note was used for the purposing of buying a 2006 John Deere Tractor for the Township's use. The notes are supported by the full faith and credit of the Township The Township borrowed \$40,750 at 5% interest to be paid back over the next four years beginning in 2007. The following is a schedule of payments:

Year	Principal	Interest	Total
2007	\$ 10,150	\$1,089	\$11,238
2008	9,704	1,534	11,238
2009	10,193	1,045	11,238
2010	<u>10,703</u>	<u>535</u>	<u>11,238</u>
Total	<u>\$ 40,750</u>	<u>\$ 4,203</u>	<u>\$44,952</u>

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Mary Taylor, CPA

Auditor of State

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

Morris Township
Knox County
15738 Lower Fred-Amity Road
Fredericktown, Ohio 43019

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Morris Township, Knox County, Ohio, (the Township) as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated March 5, 2007, wherein, we noted the Township uses a comprehensive accounting basis other than generally accepted accounting principles and the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The Township did not present Management's Discussion and Analysis that the Government Accounting Standards Board has determined necessary to supplement, although not a required part of the basic financial statements. We also noted 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. 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 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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



Mary Taylor, CPA
Auditor of State

March 5, 2007

**MORRIS TOWNSHIP
KNOX COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-01	ORC 505.60 (A,B,&C); 505.601- Township Health Insurance	Yes	
2004-02	ORC 124.39 (C) – Cash Payment of Accrued Sick Leave	Yes	



Mary Taylor, CPA
Auditor of State

MORRIS 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, 2007**