



**PENN TOWNSHIP
MORGAN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

**PENN TOWNSHIP
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REPORT OF INDEPENDENT ACCOUNTANTS

Penn Township
Morgan County
57 East State Route 266, SE
Stockport, Ohio 43787

To the Board of Trustees:

We have audited the accompanying financial statements of Penn Township, Morgan County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998. 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 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 audit 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 audit provides 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 of Penn Township, Morgan County, as of December 31, 1999 and 1998, 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 August 22, 2000 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.

This report is intended solely for the information and use of the 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.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

August 22, 2000

PENN TOWNSHIP
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Non- expendable Trust</u>	
Cash Receipts:					
Local Taxes	\$9,848	\$15,715	\$	\$	\$25,563
Intergovernmental	25,639	60,086	6,632		92,357
Earnings on Investments	2,070	1,584		25	3,679
Other Revenue	116	1,382			1,498
Total Cash Receipts	<u>37,673</u>	<u>78,767</u>	<u>6,632</u>	<u>25</u>	<u>123,097</u>
Cash Disbursements:					
Current:					
General Government	23,816				23,816
Public Safety		9,328			9,328
Public Works	1,496	46,739			48,235
Health	3,920	5,135			9,055
Debt Service:					
Redemption of Principal			8,451		8,451
Capital Outlay	1,000	14,753			15,753
Total Cash Disbursements	<u>30,232</u>	<u>75,955</u>	<u>8,451</u>	<u>0</u>	<u>114,638</u>
Total Receipts Over/(Under) Disbursements	<u>7,441</u>	<u>2,812</u>	<u>(1,819)</u>	<u>25</u>	<u>8,459</u>
Other Financing Receipts/(Disbursements):					
Transfers-In	1,284				1,284
Transfers-Out		(1,284)			(1,284)
Total Other Financing Receipts/(Disbursements)	<u>1,284</u>	<u>(1,284)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>8,725</u>	<u>1,528</u>	<u>(1,819)</u>	<u>25</u>	<u>8,459</u>
Fund Cash Balances, January 1	<u>10,500</u>	<u>61,906</u>	<u>2,843</u>	<u>1,310</u>	<u>76,559</u>
Fund Cash Balances, December 31	<u><u>\$19,225</u></u>	<u><u>\$63,434</u></u>	<u><u>\$1,024</u></u>	<u><u>\$1,335</u></u>	<u><u>\$85,018</u></u>

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

PENN TOWNSHIP
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Non- expendable Trust	
Cash Receipts:					
Local Taxes	\$9,813	\$15,685	\$	\$	\$25,498
Intergovernmental	12,591	63,438	7,731		83,760
Earnings on Investments	1,555	1,924			3,479
Other Revenue	1,410	2,488			3,898
Total Cash Receipts	25,369	83,535	7,731	0	116,635
Cash Disbursements:					
Current:					
General Government	22,051				22,051
Public Safety		9,322			9,322
Public Works	1,495	43,464			44,959
Health	6,375	4,760			11,135
Debt Service:					
Redemption of Principal			6,986		6,986
Interest and Fiscal Charges			345		345
Capital Outlay		33,060			33,060
Total Cash Disbursements	29,921	90,606	7,331	0	127,858
Total Receipts Over/(Under) Disbursements	(4,552)	(7,071)	400	0	(11,223)
Other Financing Receipts/(Disbursements):					
Proceeds from Sale of Public Debt:					
Sale of Notes		12,082			12,082
Total Other Financing Receipts/(Disbursements)	0	12,082	0	0	12,082
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(4,552)	5,011	400		859
Fund Cash Balances, January 1	15,052	56,895	2,443	1,310	75,700
Fund Cash Balances, December 31	\$10,500	\$61,906	\$2,843	\$1,310	\$76,559

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

**PENN TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Penn Township, Morgan County, (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 the Village of Malta and the Village of Pennsville to provide fire services and emergency medical 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.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

The Certificate of Deposit is 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 Funds

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 Funds:

Motor Vehicle License Tax Fund - This fund receives motor vehicle money for maintaining and repairing Township roads.

PENN TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

Cemetery Fund - This fund receives property tax money for maintaining cemeteries located within the Township.

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

Fire Levy Fund - This fund receives property tax money for the purpose of providing fire protection for the residents of the Township.

FEMA Fund - This fund receives money from the Federal Emergency Management Agency for the purpose of providing service to Township residents for loss due to natural disasters.

3. Debt Service Fund

The Debt Service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following significant Debt Service Fund:

General Note Retirement Fund - This fund receives gasoline tax money to retire debt incurred by the Township. The Township has debt for the purchase of equipment.

4. Fiduciary Funds (Trust Fund)

These funds are used to account for resources restricted by legally binding trust agreements. The Township had the following significant Fiduciary Fund:

Cemetery Bequest Fund - This Nonexpendable Trust Fund receives interest from a Certificate of Deposit to pay for the cost of maintaining the Township's cemeteries.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**PENN TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. The Township did not use the encumbrance method of accounting.

A summary of 1999 and 1998 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.

2. EQUITY IN POOLED CASH

The Township maintains a cash 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>1999</u>	<u>1998</u>
Demand deposits	\$84,618	\$76,059
Certificate of Deposit	\$500	\$500
Totals	<u>\$85,018</u>	<u>\$76,559</u>

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

Fund Type	1999 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$33,475	\$38,957	\$5,482
Special Revenue	6,996,060,220	78,767	8,807
Debt Service		6,632	610
Nonexpendable Trust		25	25
Total	<u>\$6,996,093,695</u>	<u>\$124,381</u>	<u>\$14,924</u>

PENN TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$43,956	\$30,232	\$13,724
Special Revenue	131,782	77,239	54,543
Debt Service	8,800	8,451	349
Nonexpendable Trust	800	0	800
Total	\$185,338	\$115,922	\$69,416

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$23,690	\$25,369	\$1,679
Special Revenue	68,175	95,617	27,442
Debt Service	7,331	7,731	400
Nonexpendable Trust	0	0	0
Total	\$99,196	\$128,717	\$29,521

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$38,650	\$29,921	\$8,729
Special Revenue	124,685	90,606	34,079
Debt Service	7,331	7,331	0
Nonexpendable Trust	800	0	800
Total	\$171,466	\$127,858	\$43,608

Expenditures made during 1999 and 1998 were executed without obtaining the prior certification of the Clerk.

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 payments, 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.

PENN TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

4. PROPERTY TAX (Continued)

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, 1999 was as follows:

General Obligation Notes	
Principal	\$8,082
Interest Rate	5.75%

Proceeds of the General Obligation Notes were used to purchase a tractor during 1998. The original notes were for \$12,082 with an annual principal payment due of \$4,000.

Amortization of the above debt, including interest of \$588, is scheduled as follows:

Year Ending	
<u>December 31:</u>	
2000	\$4,409
2001	4,177
2002	<u>84</u>
Total	<u>\$8,670</u>

6. RETIREMENT SYSTEMS

The Township's officials and 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 1999 and 1998, members of PERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

7. RISK MANAGEMENT

The Township is a member of the Ohio Township Association Risk Management Authority, a local government risk pool. The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- General liability and casualty
- Public official's liability
- Vehicle
- Employee Benefit Liability

The Township also provides health insurance to officials through a private carrier.

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Penn Township
Morgan County
57 East State Route 266, SE
Stockport, Ohio 43787

To the Board of Trustees:

We have audited the accompanying financial statements of Penn Township, Morgan County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998 and have issued our report thereon dated August 22, 2000. We conducted our audit 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 the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 1999-41058-001 through 1999-41058-003. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated August 22, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated August 22, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, sweeping flourish at the end.

Jim Petro
Auditor of State

August 22, 2000

**PENN TOWNSHIP
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER	1999-41058-001
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Ohio Rev. Code Section 5705.41(D)(1) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collections to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two “exceptions” to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that a sufficient sum was appropriated and free of any previous encumbrance, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Board of Trustees.

Liabilities, contracts and open purchase commitments were not certified by the Clerk prior to the obligation and Then and Now Certificates were not used. These commitments were not subsequently approved by the Board of Trustees within the aforementioned 30-day time period.

We recommend that liabilities, contracts and open purchase commitments be certified by the Township Clerk in accordance with Ohio Rev. Code Section 5705.41(D).

FINDING NUMBER	1999-41058-002
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Ohio Admin. Code Section 117-3-09 (Section 117-2-02(D)2, effective July 1, 2000) prescribed the method by which the receipts journal should have been maintained during this audit period.

A receipts journal was not properly maintained by the Township. As a result, there was no method established whereby Township management could compare budgeted receipts to actual receipts and file any amended certificates of estimated resources when needed.

We recommend the Clerk maintain a receipts ledger in a manner that will allow for comparisons of budgeted receipts to actual receipts.

FINDING NUMBER	1999-41058-003
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Ohio Admin. Code Section 117-3-11 prescribed the method by which the appropriations ledger was to be maintained.

Since the Clerk did not issue certificates as required by Ohio Rev. Code Section 5705.41(D), the encumbrances could not be posted to appropriation accounts in the appropriations ledger to arrive at a descending balance of unencumbered appropriations available for future certification.

We recommend the Clerk post all legally adopted appropriation amounts to the appropriations ledger, record the encumbrance of appropriations, and maintain unencumbered balances for each appropriation account. Comparisons of budgeted (appropriated) expenditures to actual expenditures should then be utilized by management as a tool to manage the Village. Guidance for maintaining the appropriations ledger is now included in Ohio Admin. Code Section 117-2-02(C)(1) and 117-2-02(D)(3), which became effective July 1, 2000.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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PENN TOWNSHIP

MORGAN 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 19, 2000**