

***MORGAN TOWNSHIP
ASHTABULA COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA

Auditor of State

Board of Trustees
Morgan Township
2139 Forman Road
Jefferson, Ohio 44047

We have reviewed the *Report of Independent Accountants* of Morgan Township, Ashtabula County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Morgan Township is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 1, 2010

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**MORGAN TOWNSHIP
ASHTABULA COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2009 and 2008**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Morgan Township
Ashtabula County
2139 Forman Road
Jefferson, Ohio 44047

To the Board of Trustees:

We have audited the accompanying financial statements of Morgan Township, Ashtabula County, Ohio (the Township), as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2009 and 2008. Instead of the combined funds the accompanying financial statements present for 2009 and 2008, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2009 and 2008. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since the Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2009 and 2008, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Morgan Township, Ashtabula County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements and changes in fund cash balances for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2009 and 2008. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2010, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Charles E. Harris & Associates, Inc.

July 21, 2010

**MORGAN TOWNSHIP
ASHTABULA COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2009**

| | <u>Governmental Fund Types</u> | | <u>(Memorandum Only) Total</u> |
|---|--------------------------------|----------------------------|--|
| | <u>General</u> | <u>Special Revenue</u> | |
| Receipts: | | | |
| Property and Other Local Taxes | \$ 25,038 | \$ 224,663 | \$ 249,701 |
| Licenses, Permits and Fees | 2,852 | - | 2,852 |
| Intergovernmental | 10,192 | 129,766 | 139,958 |
| Earnings on Investments | 773 | 402 | 1,175 |
| Miscellaneous | 2,044 | 5,343 | 7,387 |
| Total Receipts | 40,899 | 360,174 | 401,073 |
| Disbursements: | | | |
| Current: | | | |
| General Government | 56,317 | - | 56,317 |
| Public Safety | - | 142,262 | 142,262 |
| Public Works | - | 146,193 | 146,193 |
| Health | - | 22,139 | 22,139 |
| Capital Outlay | - | 172 | 172 |
| Debt Service: | | | |
| Principal Retirement | - | 20,000 | 20,000 |
| Interest & Fiscal Charges | - | 3,829 | 3,829 |
| Total Cash Disbursements | 56,317 | 334,595 | 390,912 |
| Excess of Cash Receipts Over/(Under) Cash Disbursements | (15,418) | 25,579 | 10,161 |
| Other Financing Sources/(Uses): | | | |
| Proceeds of Loans | - | 100,000 | 100,000 |
| Total Other Financing Sources/(Uses) | - | 100,000 | 100,000 |
| Excess of Receipts and Other Financing Sources Over/(Under) Disbursements and Other Financing Uses | (15,418) | 125,579 | 110,161 |
| Fund Balance January 1, 2009 | 76,065 | 250,351 | 326,416 |
| Fund Balance December 31, 2009 | \$ 60,647 | \$ 375,930 | \$ 436,577 |

See accompanying Notes to the Financial Statements.

**MORGAN TOWNSHIP
ASHTABULA COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - FIDUCIARY FUND TYPES
For the Year Ended December 31, 2009**

| | Fiduciary Fund Types |
|---------------------------------------|----------------------------------|
| | Private Purpose Trust |
| Operating Cash Receipts: | |
| Earnings on Investments | \$ 146 |
| Miscellaneous | 200 |
| | 346 |
| Total Receipts | 346 |
| Operating Cash Disbursements: | |
| Current: | |
| Other | 200 |
| | 200 |
| Total Cash Disbursements | 200 |
| Operating Income (Loss) | 146 |
| Fund Balance January 1, 2009 | 4,244 |
| Fund Balance December 31, 2009 | \$ 4,390 |

See accompanying Notes to the Financial Statements.

**MORGAN TOWNSHIP
ASHTABULA COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2008**

| | <u>Governmental Fund Types</u> | | <u>(Memorandum Only) Total</u> |
|---|--------------------------------|----------------------------|--|
| | <u>General</u> | <u>Special Revenue</u> | |
| Receipts: | | | |
| Property and Other Local Taxes | \$ 22,791 | \$ 199,188 | \$ 221,979 |
| Licenses, Permits and Fees | 2,119 | - | 2,119 |
| Intergovernmental | 10,009 | 122,230 | 132,239 |
| Earnings on Investments | 6,348 | 2,269 | 8,617 |
| Miscellaneous | 1,779 | 31,790 | 33,569 |
| Total Receipts | 43,046 | 355,477 | 398,523 |
| Disbursements: | | | |
| Current: | | | |
| General Government | 34,583 | - | 34,583 |
| Public Safety | - | 40,986 | 40,986 |
| Public Works | 117 | 231,149 | 231,266 |
| Health | 10,471 | 20,104 | 30,575 |
| Capital Outlay | - | 189,721 | 189,721 |
| Total Cash Disbursements | 45,171 | 481,960 | 527,131 |
| Excess of Cash Receipts Over/(Under) Cash Disbursements | (2,125) | (126,483) | (128,608) |
| Other Financing Sources/(Uses): | | | |
| Other Sources | 197 | - | 197 |
| Total Other Financing Sources/(Uses) | 197 | - | 197 |
| Excess of Receipts and Other Financing Sources Over/(Under) Disbursements and Other Financing Uses | (1,928) | (126,483) | (128,411) |
| Fund Balance January 1, 2008 | 77,993 | 376,834 | 454,827 |
| Fund Balance December 31, 2008 | \$ 76,065 | \$ 250,351 | \$ 326,416 |

See accompanying Notes to the Financial Statements.

**MORGAN TOWNSHIP
ASHTABULA COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - FIDUCIARY FUND TYPES
For the Year Ended December 31, 2008**

| | Fiduciary Fund Types |
|---------------------------------------|----------------------------------|
| | Private Purpose Trust |
| Operating Cash Receipts: | |
| Earnings on Investments | \$ 175 |
| Miscellaneous | 150 |
| | 325 |
| Total Receipts | 325 |
| Operating Cash Disbursements: | |
| Current: | |
| Other | 200 |
| | 200 |
| Total Cash Disbursements | 200 |
| Operating Income (Loss) | 125 |
| Fund Balance January 1, 2008 | 4,119 |
| | 4,119 |
| Fund Balance December 31, 2008 | \$ 4,244 |
| | 4,244 |

See accompanying Notes to the Financial Statements.

**MORGAN TOWNSHIP
ASHTABULA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

Morgan Township, Ashtabula County (the Township) is a body corporate and politic established for the purpose of exercising 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 and a publicly-elected Clerk. The Township provides road and bridge maintenance, fire protection and emergency medical services. The Township contracts with Morgan Volunteer Fire Department to provide fire services and South Central Ambulance District, (SCAD), to provide emergency medical services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 6 to the financial statements provide additional information for this entity. This organization is:

OTARMA - Public Entity Risk Pool:

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

The Township's management believes these financial statements included in this report represent all of the funds of the Township over which the Township has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Township prepares its financial statements following 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.)

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

C. CASH

Investments are included in the fund cash balances. 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 maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**MORGAN TOWNSHIP
ASHTABULA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. FUND ACCOUNTING – (continued)

Governmental Fund Types:

General Fund: The general operating fund of the Township. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

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

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

Fiduciary Funds Fiduciary funds include private purpose trust funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs. The Township had one private purpose trust fund:

- *Sophie B. Root Fund* – This fund receives interest income for providing assistance to the indigent people of the Township.

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Clerk, approved by the Township Board of Trustees, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Township. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Township. The county budget commission approves the certificate of estimated resources.

Prior to December 31, the Township must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of estimated resources stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

**MORGAN TOWNSHIP
ASHTABULA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

E. BUDGETARY PROCESS - (continued)

1. Estimated Resources – (continued)

On or about January 1, the Clerk sends the county auditor a certificate, which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate and submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected revenue increases or the Clerk identifies decreases in revenue.

Budgeted receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2009 and 2008. However, those fund balances are available for appropriation.

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

3. Encumbrances

The Township is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The Township's legal level of control is the object level.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are canceled and re-appropriated in the subsequent year.

F. PROPERTY, PLANT AND EQUIPMENT

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

G. ACCUMULATED LEAVE

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

**MORGAN TOWNSHIP
ASHTABULA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008**

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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:

| | 2009 | 2008 |
|--------------------------------|------------|------------|
| Demand Deposit | \$ 437,339 | \$ 327,098 |
| Certificates of Deposit | 3,628 | 3,562 |
| Total Deposits and Investments | \$ 440,967 | \$ 330,660 |

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Township, or (3) collateralized by the financial institution's public entity deposit pool.

3. PROPERTY TAXES

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2007.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. 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 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Township by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as intergovernmental receipts.

Public utilities are also taxed on personal and real property located within the Township. Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30. Tangible personal property taxes are being phased out through 2009.

The County Treasurer collects property tax on behalf of all taxing authorities within the county. The County Auditor periodically remits to the taxing authorities their portions of the taxes collected.

**MORGAN TOWNSHIP
ASHTABULA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008**

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

| 2009 Budgeted vs Actual Budgetary Basis Expenditures | | | |
|---|------------------------------------|-----------------------------------|-------------------|
| Funds | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 81,950 | \$ 56,317 | \$ 25,633 |
| Special Revenue | 595,650 | 334,595 | 261,055 |
| Fiduciary | 250 | 200 | 50 |
| Total | \$ 677,850 | \$ 391,112 | \$ 286,738 |

| 2009 Budgeted vs Actual Receipts | | | |
|---|------------------------------|----------------------------|------------------|
| Funds | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 38,500 | \$ 40,899 | \$ 2,399 |
| Special Revenue | 436,400 | 460,174 | 23,774 |
| Fiduciary | 300 | 346 | 46 |
| Total | \$ 475,200 | \$ 501,419 | \$ 26,219 |

| 2008 Budgeted vs Actual Budgetary Basis Expenditures | | | |
|---|------------------------------------|-----------------------------------|-------------------|
| Funds | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 110,500 | \$ 45,171 | \$ 65,329 |
| Special Revenue | 716,704 | 481,960 | 234,744 |
| Fiduciary | 250 | 200 | 50 |
| Total | \$ 827,454 | \$ 527,331 | \$ 300,123 |

| 2008 Budgeted vs Actual Receipts | | | |
|---|------------------------------|----------------------------|------------------|
| Funds | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 30,583 | \$ 43,243 | \$ 12,660 |
| Special Revenue | 341,350 | 355,477 | 14,127 |
| Fiduciary | 300 | 325 | 25 |
| Total | \$ 372,233 | \$ 399,045 | \$ 26,812 |

**MORGAN TOWNSHIP
ASHTABULA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008**

5. RETIREMENT SYSTEM

Employees of the Township belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a state operated, 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 prescribed by the Ohio Revised Code. OPERS members contributed 10% of their gross pay while the Township contributed an amount equal to 14% of covered payroll, in 2009 and 2008. The Township paid all required contributions through 2009.

6. 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.

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2008, OTARMA retained \$350,000 for casualty claims and \$100,000 for property claims.

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

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

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, 2008 and 2007:

| <u>Financial Position</u> | <u>2008</u> | <u>2007</u> |
|---------------------------|----------------------|----------------------|
| Assets | \$ 40,737,740 | \$ 43,210,703 |
| Liabilities | (12,981,818) | (13,357,837) |
| Net Assets | <u>\$ 27,755,922</u> | <u>\$ 29,852,866</u> |

**MORGAN TOWNSHIP
ASHTABULA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008**

6. RISK MANAGEMENT - (continued)

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.

7. DEBT

The Township's outstanding debt at December 31, 2009 is as follows:

| | Interest Rate | Balance December 31, 2009 |
|------------|------------------|---------------------------------|
| Fire Truck | 4.13% | \$ 80,000 |

The Township signed a promissory note to finance the purchase of a Fire Truck for Township safety. The Township will fund the debt with tax revenues.

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

| | Principal | Interest |
|-------|-----------|----------|
| 2010 | \$ 20,000 | \$ 3,370 |
| 2011 | 20,000 | 2,545 |
| 2012 | 20,000 | 1,725 |
| 2013 | 20,000 | 965 |
| Total | \$ 80,000 | \$ 8,605 |

8. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Morgan Township
Ashtabula County
2139 Forman Road
Jefferson, Ohio 44047

To the Board of Trustees:

We have audited the financial statements of Morgan Township, Ashtabula County Ohio (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated July 21, 2010, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-01 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grants 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 such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2009-001.

We noted certain matters that we have reported to management of the Township in a separate letter dated July 21, 2010.

We intend this report solely for the information and use of management, the audit committee, the Board of Trustees and others within the Township. We intend it for no one other than these specified parties.

Charles E. Harris and Associates, Inc.

July 21, 2010

MORGAN TOWNSHIP
ASHTABULA COUNTY

SCHEDULE OF FINDINGS
December 31, 2009 and 2008

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

Finding Number 2009-01 – Non-compliance Citation/Material Weakness

Ohio Revised Code Section 5705.10 requires that money paid into a fund must be used only for the purposes for which the fund has been established. During 2008 and 2009, the Township paid Trustee salaries from the Road & Bridge Levy. While this is allowable, the Trustees are required to account for the time spent on Road & Bridge activity versus other activity of the Township. The Trustees are keeping journals of their activities, however they did not include all activities in those books, specifically the time spent in Regular and Special Meetings of the Township. The following adjustments were made to allocate the proper amount of the Trustees' salaries to the General Fund:

| <u>2009</u> | | |
|-----------------------------------|----|----------|
| General Fund - General Government | \$ | 1,826 |
| Road & Bridge Levy - Public Works | | \$ 1,826 |
| | | |
| <u>2008</u> | | |
| General Fund - General Government | \$ | 3,369 |
| Road & Bridge Levy - Public Works | | \$ 3,369 |

We recommend that the Township pay the Trustees' salary out of funds as stated in the Ohio Township Handbook. We also recommend that the Trustees better identify the hours spent on various projects within the Township. This will make it easier to allocate their salaries to the proper funds.

Management's Response:

Management is clear on the process of recording and allocating the activities of the Trustees and will correct this issue moving forward.

**MORGAN TOWNSHIP
ASHTABULA COUNTY**
For the Years Ending December 31, 2009 and 2008

SCHEDULE OF PRIOR AUDIT FINDINGS

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain: |
|-----------------------|---|-------------------------|--|
| 2007-001 | Ohio Administrative Code § 117-2-02 provides guidance that all local public offices shall maintain an accounting system and accounting records. | Yes | Significantly Different Corrective Action Taken – The Township acquire the UAN system as provided by the State Auditor |
| 2007-002 | Ohio Revised Code § 117.38 , states that cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. | Yes | Finding no longer vaild |



Mary Taylor, CPA
Auditor of State

MORGAN TOWNSHIP

ASHTABULA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 16, 2010**