



Mary Taylor, CPA
Auditor of State

**MORGAN TOWNSHIP
ASHTABULA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2005.....	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Fiduciary Fund Type - For the Year Ended December 31, 2005.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2004.....	7
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Fiduciary Fund Type - For the Year Ended December 31, 2004.....	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Findings.....	19
Schedule of Prior Audit Findings.....	21

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Mary Taylor, CPA
Auditor of State

Morgan Township
Ashtabula County
2139 Forman Road
Jefferson, Ohio 44047

To the Morgan Township Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 13, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Morgan Township
Ashtabula County
2139 Forman Road
Jefferson, Ohio 44047

To the Morgan Township Trustees:

We have audited the financial statements of Morgan Township (the Township) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated February 13, 2008 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. 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.

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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. 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, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2005 and 2004, 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, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 February 13, 2008, 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.



Mary Taylor, CPA
Auditor of State

February 13, 2008

**MORGAN TOWNSHIP
ASHTABULA COUNTY**

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$20,617	\$197,105	\$217,722
Licenses, Permits, and Fees	1,551		1,551
Intergovernmental	20,771	109,448	130,219
Earnings on Investments	5,183	1,453	6,636
Miscellaneous	12,070	3,000	15,070
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	60,192	311,006	371,198
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
General Government	33,560		33,560
Public Safety		64,877	64,877
Public Works		168,052	168,052
Health	7,612	17,915	25,527
Capital Outlay		4,967	4,967
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	41,172	255,811	296,983
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	19,020	55,195	74,215
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	17,865	263,945	281,810
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$36,885</u>	<u>\$319,140</u>	<u>\$356,025</u>

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

**MORGAN TOWNSHIP
ASHTABULA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Fiduciary Fund Types
	Private Purpose Trust
Operating Cash Receipts:	
Earnings on Investments	\$64
Miscellaneous	200
Total Operating Cash Receipts	264
Operating Cash Disbursements:	
Other	310
Total Operating Cash Disbursements	310
Operating Income/(Loss)	(46)
Fund Cash Balances, January 1	3,862
Fund Cash Balances, December 31	\$3,816

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

**MORGAN TOWNSHIP
ASHTABULA COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$20,115	\$187,693	\$207,808
Licenses, Permits, and Fees	2,048		2,048
Intergovernmental	9,610	100,437	110,047
Earnings on Investments	1,596	476	2,072
Miscellaneous	887	1,034	1,921
	<u>34,256</u>	<u>289,640</u>	<u>323,896</u>
Cash Disbursements:			
Current:			
General Government	24,812		24,812
Public Safety		61,172	61,172
Public Works		155,696	155,696
Health	6,653	17,478	24,131
Capital Outlay		41,743	41,743
	<u>31,465</u>	<u>276,089</u>	<u>307,554</u>
Total Receipts Over/(Under) Disbursements	<u>2,791</u>	<u>13,551</u>	<u>16,342</u>
Other Financing Receipts / (Disbursements):			
Transfers-In		3	3
Transfers-Out	(3)		(3)
	<u>(3)</u>	<u>3</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	2,788	13,554	16,342
Fund Cash Balances, January 1	<u>15,077</u>	<u>250,391</u>	<u>265,468</u>
Fund Cash Balances, December 31	<u>\$17,865</u>	<u>\$263,945</u>	<u>\$281,810</u>

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

**MORGAN TOWNSHIP
ASHTABULA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Fiduciary Fund Types
	Private Purpose Trust
Operating Cash Receipts:	
Earnings on Investments	\$48
Miscellaneous	200
	248
Total Operating Cash Receipts	248
Operating Cash Disbursements:	
Other	156
	156
Total Operating Cash Disbursements	156
Operating Income/(Loss)	92
Fund Cash Balances, January 1	3,770
Fund Cash Balances, December 31	\$3,862

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

**MORGAN TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Morgan Township, Ashtabula County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, 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 present all activities for which the Township is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values certificates of deposit at cost.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

**MORGAN TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1. General Fund

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

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had 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 to pay for constructing, maintaining, and repairing Township roads.

3. Fiduciary Fund – Private Purpose Trust

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

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 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.

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.

**MORGAN TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2005	2004
Demand deposits	\$356,279	\$282,110
Certificates of deposit	3,562	3,562
Total deposits	359,841	285,672

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$33,579	\$60,192	\$26,613
Special Revenue	275,260	311,006	35,746
Fiduciary	200	264	64
Total	\$309,039	\$371,462	\$62,423

**MORGAN TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY - (Continued)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$51,481	\$41,172	\$10,309
Special Revenue	538,379	255,810	282,569
Fiduciary	4,000	310	3,690
Total	\$593,860	\$297,292	\$296,568

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$22,318	\$34,256	\$11,938
Special Revenue	279,882	289,643	9,761
Fiduciary	240	248	8
Total	\$302,440	\$324,147	\$21,707

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$37,212	\$31,469	\$5,743
Special Revenue	530,638	276,088	254,550
Fiduciary	3,814	156	3,658
Total	\$571,664	\$307,713	\$263,951

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

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

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**MORGAN TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

5. RETIREMENT SYSTEMS

The Township employees and elected officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OPERS members contributed 8.5% of their gross salaries and the Township contributed an amount equaling 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2005.

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. OTARMA is a member of the American Public Entity 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.

Casualty Coverage

For an occurrence prior to January 1, 2006 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. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage 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 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

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.

**MORGAN TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

6. RISK MANAGEMENT- (Continued)

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 values. 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 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, 2005 and 2004.

<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 also include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member governments 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. The Township's share of these unpaid claims is approximately \$27,222. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

**MORGAN TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

6. RISK MANAGEMENT- (Continued)

<u>Contributions to OTARMA</u>	
2004	\$12,833
2005	\$13,611
2006	\$13,907

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give 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 contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

7. LEGAL COMPLIANCE

Ohio Administrative Code Sections 117-2-02 and 03 establish the required accounting records and report information for governments. The Township records were deficient in several areas contrary to these Code Sections.

Ohio Revised Code Section 117.38 requires Townships to file their annual reports with the Auditor of States Office by March 1 of the following year. The Township did not file the 2005 or 2004 annual reports until 2007, contrary to this Section of Code

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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*

Morgan Township
Ashtabula County
2139 Forman Road
Jefferson, Ohio 44047

To the Township Board of Trustees:

We have audited the financial statements of Morgan Township (the Township) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated February 13, 2008 wherein we noted the Township followed accounting practices the Auditor of State prescribes or permits 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as items 2005-001.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider the reportable condition 2005-001 listed above to be material weaknesses.

In a separate letter to the Township's management dated February 13, 2008, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 and 2005-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated February 13, 2008.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management and the Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

February 13, 2008

**MORGAN TOWNSHIP
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

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

FINDING NUMBER 2005-001

Noncompliance Citation/ Material Weakness

Ohio Administrative Code § 117-2-02 provides guidance that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, label, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule **117-2-03** of the **Ohio Administrative Code**.

Although improvement was made from the prior audit period, the financial records of the Township were deficient in several areas such as:

- The Receipt and Appropriation Ledgers did not include account numbers or budget estimates at the legal level of control; thusly, revenues anticipated to be collected and unencumbered balances, respectively, were not reflected. Township officials did not monitor budgetary activity by regularly comparing budgeted versus actual amounts at the legal level of control.
- The Township's financial records were not reconciled with the depository on a monthly basis for the period January 2004 through December 2005. Numerous errors in posting, such as transposition of numbers, postings to the wrong line items, month-to-date or year-to-date totals in the cash journal or subsidiary ledgers were reflected, which created problems in performing cash reconciliations.

Without the following being performed on a regular basis, such as the monitoring of budgetary data, performing accurate monthly reconciliations between the books and the bank, and the accurate posting of records, the possibility then exists that undetected errors or irregularities could occur and not be corrected in a timely manner.

In order to present an accurate account of the financial operations of the Township, monthly bank reconciliations need to be performed. Any errors to the reconciliation should be corrected and/or disclosed as soon as possible and any unusual adjustments needed to reconcile should be presented to the Board of Trustees for their approval. In addition, beginning revenue estimates and annual appropriation amounts should be recorded in the receipt and appropriation ledgers at the legal level of control, respectively, and budgeted versus actual comparisons should be reviewed by the Fiscal Officer on an ongoing basis and should be presented to the Trustees for their review on a regular (at least monthly) basis.

Being that there have been posting and handwriting errors via the manual system in the current and prior audit periods, which has caused delays in performing the audits, we recommend that the Board of Township Trustees carefully review this matter and strongly consider implementing an electronic data processing system to maintain the Township's financial activity. The Auditor of State provides Townships access to the Uniform Accounting Network (UAN) System. Besides providing an electronic accounting mechanism, the UAN system provides certain administrative controls which may facilitate the Board's monitoring of the Township's financial activity. Furthermore, the UAN system may also assist the Township in complying with certain applicable provisions of the Ohio Revised and Administrative Codes.

**MORGAN TOWNSHIP
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

FINDING NUMBER 2005-002

Noncompliance Citation

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. This report must be filed on forms prescribed by the Auditor of State. However, if the Auditor of State has not prescribed a form for the report, the public office shall submit its report on the form utilized by the public office.

The report shall contain the amount of: 1) receipts, and amounts due from each source; 2) expenditures for each purpose; 3) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and 4) public debt of each taxing district, the purpose of the debt, and how the debt will be repaid.

The Township did not file their annual reports with the Auditor of State for the years ended December 31, 2004 and December 31, 2005 until 2007 which resulted in fines totaling \$1,500 (\$750 for each report not filed).

We recommend in the future that the Township file its annual report within 60 days of the fiscal year end.

**MORGAN TOWNSHIP
ASHTABULA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005- 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	Reconciliations not performed April-Dec. 2003; Cash journal fund balances did not agree with annual report.	No.	Citation 2005-001 in current report.
2003-002	ORC §5705.41(D), prior certification of disbursements not made and no Then and Now Cert. issued.	Partially corrected.	Prior audit exit held 6-30-05; Then and Now Cert. used subsequent to that time frame.



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
MARCH 6, 2008**