

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

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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, 2006 through December 31, 2007. 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

May 21, 2009

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**MORGAN TOWNSHIP
ASHTABULA COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2007 and 2006**

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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 (the Township), as and for the years ended December 31, 2007 and 2006. 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, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2007 and 2006. While the Township does not follow GAAP, generally accepted auditing standards require 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 its 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, 2007 and 2006, 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, 2007 and 2006, 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 as of December 31, 2007 and 2006, and its combined cash receipts and disbursements 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, 2007 and 2006. 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 May 9, 2009, 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. 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 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.

Charles E. Harris & Associates, Inc.
May 9, 2009

**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, 2007**

	Governmental Fund Types		(Memorandum Only) Total
	General	Special Revenue	
Receipts:			
Property and Other Local Taxes	\$ 23,202	\$ 199,895	\$ 223,097
Licenses, Permits and Fees	4,406	-	4,406
Intergovernmental	10,067	117,839	127,906
Earnings on Investments	16,225	5,308	21,533
Miscellaneous	3,811	25,180	28,991
Total Receipts	57,711	348,222	405,933
Disbursements:			
Current:			
General Government	27,126	-	27,126
Public Safety	-	53,228	53,228
Public Works	-	220,330	220,330
Health	8,427	-	8,427
Miscellaneous	-	20,127	20,127
Capital Outlay	-	24,055	24,055
Total Cash Disbursements	35,553	317,740	353,293
Excess of Cash Receipts Over/(Under) Cash Disbursements	22,158	30,482	52,640
Fund Balance January 1, 2007	55,835	346,352	402,187
Fund Balance December 31, 2007	\$ 77,993	\$ 376,834	\$ 454,827

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, 2007**

	Fiduciary Fund Types
	Private Purpose Trust
Operating Cash Receipts:	
Earnings on Investments	\$ 173
Miscellaneous	250
	423
Total Receipts	423
Operating Cash Disbursements:	
Current:	
Other	213
	213
Total Cash Disbursements	213
Operating Income (Loss)	210
Fund Balance January 1, 2007	3,909
Fund Balance December 31, 2007	\$ 4,119

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, 2006**

	<u>Governmental Fund Types</u>		<u>(Memorandum Only) Total</u>
	<u>General</u>	<u>Special Revenue</u>	
Receipts:			
Property and Other Local Taxes	\$ 21,642	\$ 186,473	\$ 208,115
Licenses, Permits and Fees	3,000	-	3,000
Intergovernmental	14,026	114,527	128,553
Earnings on Investments	11,785	3,572	15,357
Miscellaneous	1,853	27,778	29,631
Total Receipts	52,306	332,350	384,656
Disbursements:			
Current:			
General Government	25,496	-	25,496
Public Safety	-	59,242	59,242
Public Works	-	202,978	202,978
Health	8,057	-	8,057
Miscellaneous	-	18,841	18,841
Capital Outlay	-	24,077	24,077
Total Cash Disbursements	33,553	305,138	338,691
Excess of Cash Receipts Over/(Under) Cash Disbursements	18,753	27,212	45,965
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	18,950	27,212	46,162
Fund Balance January 1, 2006	36,885	319,140	356,025
Fund Balance December 31, 2006	\$ 55,835	\$ 346,352	\$ 402,187

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, 2006**

	Fiduciary Fund Types
	Private Purpose Trust
Operating Cash Receipts:	
Earnings on Investments	\$ 130
Miscellaneous	200
	330
Total Receipts	330
Operating Cash Disbursements:	
Current:	
Other	237
	237
Total Cash Disbursements	237
Operating Income (Loss)	93
Fund Balance January 1, 2006	3,816
Fund Balance December 31, 2006	\$ 3,909

See accompanying Notes to the Financial Statements.

**MORGAN TOWNSHIP
ASHTABULA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

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.

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:

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.

**MORGAN TOWNSHIP
ASHTABULA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. FUND ACCOUNTING – (continued)

Governmental Fund Types:

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.

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.

**MORGAN TOWNSHIP
ASHTABULA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

E. BUDGETARY PROCESS - (continued)

1. Estimated Resources – (continued)

Budgeted receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2007 and 2006. 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.

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:

**MORGAN TOWNSHIP
ASHTABULA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS – (continued)

	2007	2006
Demand Deposit	\$ 455,384	\$ 402,534
Certificates of Deposit	3,562	3,562
Total Deposits and Investments	\$ 458,946	\$ 406,096

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.

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.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs Actual Budgetary Basis Expenditures			
Funds	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 69,100	\$ 35,553	\$ 33,547
Special Revenue	653,887	317,740	336,147
Fiduciary	4,209	213	3,996
Total	\$ 727,196	\$ 353,506	\$ 373,690

**MORGAN TOWNSHIP
ASHTABULA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

4. BUDGETARY ACTIVITY – (continued)

<u>2006 Budgeted vs Actual Budgetary Basis Expenditures</u>			
<u>Funds</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 65,687	\$ 33,553	\$ 32,134
Special Revenue	584,293	305,138	279,155
Fiduciary	4,066	237	3,829
Total	\$ 654,046	\$ 338,928	\$ 315,118

<u>2007 Budgeted vs Actual Receipts</u>			
<u>Funds</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 32,000	\$ 57,711	\$ 25,711
Special Revenue	314,200	348,222	34,022
Fiduciary	300	423	123
Total	\$ 346,500	\$ 406,356	\$ 59,856

<u>2006 Budgeted vs Actual Receipts</u>			
<u>Funds</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 35,000	\$ 52,503	\$ 17,503
Special Revenue	312,300	332,350	20,050
Fiduciary	300	330	30
Total	\$ 347,600	\$ 385,183	\$ 37,583

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 9.5% and 9% of their gross pay while the Township contributed an amount equal to 13.85% and 13.70% in 2007 and 2006 of covered payroll, respectively. The Township paid all required contributions through 2007.

**MORGAN TOWNSHIP
ASHTABULA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

6. RISK MANAGEMENT

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage - OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, OTARMA 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. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides excess of funds available coverage up to 5,000,000 per year, subject to a per-claim limit of \$2,000,000 (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 2006, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2007, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop-loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$1,901,127.

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

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

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

**MORGAN TOWNSHIP
ASHTABULA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

6. RISK MANAGEMENT - (continued)

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, 2007 and 2006:

<u>Casualty Coverage</u>	<u>2007</u>	<u>2006</u>
Assets	\$ 32,922,235	\$ 32,031,312
Liabilities	(12,612,470)	(11,443,952)
Retained earnings	<u>\$ 20,309,765</u>	<u>\$ 20,587,360</u>
<u>Property Coverage</u>	<u>2007</u>	<u>2006</u>
Assets	\$ 10,288,468	\$ 10,010,963
Liabilities	(745,367)	(676,709)
Retained earnings	<u>\$ 9,543,101</u>	<u>\$ 9,334,254</u>

The Casualty Coverage assets and retained earnings above also include approximately \$12.7 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, 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.

Contributions to OTARMA

2006	\$13,907
2007	\$12,157
2008	\$12,180

7. 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

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS 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, 2007 and 2006, and have issued our report thereon dated May 9, 2009, 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 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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider the deficiency described in the accompanying schedule of findings, item 2007-001 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described in item 2007-001 to be a material weakness.

Compliance and Other Matters

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, grant agreements and other matters, 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 two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2007-001 and 2007-002.

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 also noted certain matters that we have reported to management of the Township in a separate letter dated May 9, 2009.

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

Charles E. Harris and Associates, Inc.
May 9, 2009

**MORGAN TOWNSHIP
ASTABULA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-001

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; therefore, 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 2006 through December 2007. 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 amount 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.

Management response:

The Township has since converted to the UAN system and has implemented posting of estimated receipts and appropriations, among other financial procedures for presentation to the Board. Also, bank reconciliations are done on a timely basis.

**MORGAN TOWNSHIP
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS - CONTINUED
DECEMBER 31, 2007 AND 2006**

FINDING NUMBER 2007-002

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, 2006 and December 31, 2007 until after the required 60 day period. Not filing these reports can result in fines up to \$750.

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

Management Response:

Management will file annual reports within the 60 day requirement in the future.

**MORGAN TOWNSHIP
ASHTABULA COUNTY**
For the Years Ending December 31, 2007 and 2006

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:
2005-001	Ohio Administrative Code § 117-2-02 provides guidance that all local public offices shall maintain an accounting system and accounting records.	No	Repeated as finding 2007-001
2005-002	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.	No	Repeated as finding 2007-002



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
JUNE 4, 2009**