



Mary Taylor, CPA
Auditor of State

TRUMBULL 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
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2004.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	24

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Mary Taylor, CPA
Auditor of State

Trumbull Township
Ashtabula County
2730 Mechanicsville Rd.
Rock Creek, Ohio 44084

To the Board of 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

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Auditor of State

January 9, 2008

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Mary Taylor, CPA

Auditor of State

Trumbull Township
Ashtabula County
2730 Mechanicsville Rd.
Rock Creek, Ohio 44084

To the Board of Trustees:

We have audited the accompanying financial statements of Trumbull Township, Ashtabula County, (the Township) as of and for the years ended December 31, 2005 and 2004. 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our 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.

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.

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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Trumbull 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 January 9, 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

January 9, 2008

**TRUMBULL 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	55,055	\$187,097	\$242,152
Licenses, Permits, and Fees		3,425	3,425
Fines and Forfeitures	1,527		1,527
Intergovernmental	19,236	114,684	133,920
Earnings on Investments		98	98
Miscellaneous		5,000	5,000
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	75,819	310,304	386,123
Cash Disbursements:			
Current:			
General Government	93,395	36,060	129,455
Public Safety	1,690	52,265	53,955
Public Works	116	191,481	191,597
Health	6,283	700	6,983
Capital Outlay	26,777	46,210	72,987
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	128,261	326,716	454,977
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>
	(52,442)	(16,412)	(68,854)
Other Financing Receipts / (Disbursements):			
Other Financing Sources	11,309		11,309
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts / (Disbursements)	11,309	0	11,309
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>
	(41,133)	(16,412)	(57,545)
Fund Cash Balances, January 1	67,583	154,319	221,902
Fund Cash Balances, December 31	<hr/> \$26,450 <hr/>	<hr/> \$137,907 <hr/>	<hr/> \$164,357 <hr/>
Reserve for Encumbrances, December 31	<hr/> <u>\$1,146</u> <hr/>	<hr/> <u>\$111</u> <hr/>	<hr/> <u>\$1,257</u> <hr/>

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

**TRUMBULL 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>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$52,222	\$199,148	\$251,370
Licenses, Permits, and Fees		1,990	1,990
Intergovernmental	62,695	81,027	143,722
Earnings on Investments	738	160	898
Miscellaneous	852	1,315	2,167
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	116,507	283,640	400,147
Cash Disbursements:			
Current:			
General Government	72,919	21,500	94,419
Public Safety		81,692	81,692
Public Works	105	143,036	143,141
Health	11,492	1,000	12,492
Capital Outlay	1,087	10,516	11,603
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	85,603	257,744	343,347
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>
	30,904	25,896	56,800
Other Financing Receipts / (Disbursements):			
Advances-In		3,900	3,900
Advances-Out	(500)	(3,400)	(3,900)
Other Financing Sources	1,107		1,107
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts / (Disbursements)	607	500	1,107
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>
	31,511	26,396	57,907
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	36,072	127,923	163,995
Fund Cash Balances, December 31	<hr/> \$67,583	<hr/> \$154,319	<hr/> \$221,902
Reserve for Encumbrances, December 31	<hr/> \$898	<hr/> \$65	<hr/> \$963

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

**TRUMBULL 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 Trumbull 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 and cemetery maintenance. The Township contracts with Hartsgrove Township to provide fire services and Norwest Ambulance District and South Central Ambulance District to provide ambulance services.

The Township participates in the Ohio Township Association Risk Management Authority public entity risk pool providing property and casualty coverage for its members. Note 8 to the financial statements provide additional information for this entity.

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 maintained a general checking account and STAR Ohio account. STAR Ohio is recorded at share values reported by the mutual fund.

D. Fund Accounting

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

1. General Fund

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

**TRUMBULL TOWNSHIP
ASHTABULA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

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 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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered for 2004.

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.

**TRUMBULL TOWNSHIP
ASHTABULA COUNTY**

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

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	\$125,941	\$184,645
Investment - STAR Ohio	38,416	37,257
Total deposits and investments	\$164,357	\$221,902

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

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

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	\$114,929	\$87,128	(\$27,801)
Special Revenue	398,276	310,304	(87,972)
Total	\$513,205	\$397,432	(\$115,773)

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$159,174	\$129,407	\$29,767
Special Revenue	455,365	326,827	128,538
Total	\$614,539	\$456,234	\$158,305

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$70,163	\$117,614	\$47,451
Special Revenue	277,019	283,640	6,621
Total	\$347,182	\$401,254	\$54,072

**TRUMBULL TOWNSHIP
ASHTABULA COUNTY**

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

3. BUDGETARY ACTIVITY - (Continued)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$118,329	\$86,501	\$31,828
Special Revenue	402,222	257,809	144,413
Total	\$520,551	\$344,310	\$176,241

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.

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 the 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

Risk Pool Membership

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.

**TRUMBULL TOWNSHIP
ASHTABULA COUNTY**

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

6. RISK MANAGEMENT - (Continued)

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

Casualty Coverage

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

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

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

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

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

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

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	<u>(12,344,576)</u>	<u>(11,086,379)</u>
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>

**TRUMBULL TOWNSHIP
ASHTABULA COUNTY**

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

6. RISK MANAGEMENT - (Continued)

<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>

At December 31, 2005 and 2004, respectively, casualty coverage liabilities noted above include approximately \$11.6 million and \$10.3 million of estimated incurred claims payable. 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 townships in the future, as of December 31, 2005 and 2004, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$15,144. 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.

<u>Township Contributions to OTARMA</u>	
2003	\$6,065
2004	\$6,108
2005	\$7,572

After completing one year of membership, 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 contributions, minus the subsequent year's 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 was incurred or reported prior to the withdrawal.

7. SUBSEQUENT EVENTS

The Township received a Federal Emergency Management Assistance (FEMA) grant in 2006 and 2007 for \$1,025,000 for repairs and clean-up of Township roads and property due to flooding issues.

**TRUMBULL TOWNSHIP
ASHTABULA COUNTY**

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

8. LEGAL ACCOUNTABILITY

Contrary to Ohio law, the Fiscal Officer was overpaid during the two years of audit, as established by Ohio Revised Code Section 507.09.

Contrary to Ohio Revised Code Section 5705.41 (D), certification of the availability of funds was not obtained prior to the obligations being incurred.

Contrary to Ohio Revised Code Sections 121.211 and Ohio Revised Code Chapter 149, original supporting documentation for payments made was not maintained with the vouchers.

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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*

Trumbull Township
Ashtabula County
2730 Mechanicsville Rd.
Rock Creek, Ohio 44084

To the Board of Trustees:

We have audited the financial statements of Trumbull Township, Ashtabula County, (the Township) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated January 9, 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 also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting 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. Reportable conditions are described in the accompanying schedule of findings as items 2005-002 through 2005-007.

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 reportable conditions 2005-004 through 2005-007 listed above to be material weaknesses.

In a separate letter to the Township's management dated January 9, 2008, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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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 2005-003.

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 January 9, 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 the audit committee, management, and the Board of Trustees. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

January 9, 2008

**TRUMBULL 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

Finding for Recovery- Repaid Under Audit

Ohio Revised Code § 507.09 provides that for 2004, a Township Fiscal Officer shall be entitled to an annual compensation of \$12,830.00 when the Township's annual budget is between \$500,001 and \$750,000.00, which was the range for Trumbull Township. The Fiscal Officer, Sherry Wilbur was paid \$13,387.35, which resulted in an overpayment of \$557.35.

Ohio Revised Code § 507.09 provides that for 2005, a Township Fiscal Officer shall be entitled to an annual compensation of \$13,138.00 when the Township's annual budget is between \$500,001 and 750,000.00. The Fiscal Officer was paid \$14,452.13, which resulted in an overpayment of \$1,314.13.

2005 Overpayment	\$1,314.13
2004 Overpayment	<u>557.35</u>
Total Overpayment	\$1,871.48

In accordance with the foregoing facts and pursuant to **Ohio Revised Code § 117.28**, a Finding for Recovery for public monies illegally expended was issued against Sherry Wilbur, Fiscal Officer, and the Ohio Township Association Risk Management Authority, her bonding company, jointly and severally, in the amount of \$1,871.48, and in favor of Trumbull Township's General Fund, in the amount of \$1,871.48.

Repayment of the finding was made by Sherry Wilbur, Fiscal Officer, in September and October of 2007 by payroll deductions.

Official's Response:

Due to the OPWC project our budget was at a higher amount, although I did not have the budget approved or certified as such by the budget commission as required. I paid the salaries according to the budget that I prepared which had included OPWC funds.

TRUMBULL 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

FINDNG NUMBER 2005-002

Noncompliance Citation and Reportable Condition

Ohio Revised Code § 5705.41(D), prohibits a subdivision or taxing authority from making any contract or contract or ordering any expenditure of money unless a certificate signed by the Fiscal Officer is attached thereto. The Fiscal Officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

There are several exceptions to the standard requirement stated above. The main exceptions are: “then and now” certificates, blanket certificates and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

- 1. Then and Now Certificate** - If no certificate is furnished as required, upon receipt of the Fiscal Officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Township may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

Amounts of less than \$3,000 may be paid by the Fiscal Officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirements for approval of expenditures by the Township.

- 2. Blanket Certificate** – Fiscal Officers may prepare so-called “blanket” certificates not running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Purchase orders may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.
- 3. Super Blanket Certificate** – The Township may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the Fiscal Officer for most professional services, fuel, oil, and any other specific recurring and reasonably predictable operating expense. This certification is not to exceed beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Township's Fiscal Officer did not certify the availability of funds prior to purchase commitments for 27 percent of the expenditures tested in 2004 and for 36 percent of the expenditures tested in 2005, and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending of funds and negative cash fund balances.

**TRUMBULL 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
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FINDING NUMBER 2005-002 – (Continued)

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Township certify purchases to which **ORC 5705.41(D)** applies. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of **Section 5705.41(D)** are satisfied.

Official's Response:

If there were no open purchase orders against an invoice when received, a Then and Now Certificate will be issued. We will comply with this requirement in the future.

FINDING NUMBER 2005-003

Noncompliance Citation and Reportable Condition

Ohio Revised Code §121.211 states records in the custody of each agency shall be retained for time period in accordance with law establishing specific retention periods, and in accordance with retention periods or disposition instructions established by the records commission.

In addition, **Ohio Revised Code §149.351** states that all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by **Ohio Revised Code Sections 149.38 through 149.42**. **Ohio Revised Code § 149.42** states in each Township a records commission be created, composed of the chairperson of the board of Township Trustees and the fiscal officer of the Township. The commission shall meet at least once every twelve months and upon call of the chairperson.

The function of the commission shall be to review applications for one-time disposal of obsolete records and schedules of records retention and disposition submitted by Township offices.

During our testing of disbursements during the audit period, we noted instances where the vouchers for payments did not have supporting documentation of invoices or other documentation attached.

In 2004, there were 26 vouchers totaling \$24,599.10 and in 2005, there were 53 vouchers totaling \$20,636.98 that did not have original supporting documentation.

The Fiscal Officer was able to provide the supporting documentation (albeit, by contacting the company and requesting a faxed copy of the invoice) to the auditor's by the post-audit date; with the exception of vouchers that were for mileage reimbursements.

This weakness could cause payments to be made where no goods were received or services rendered, or duplicate payments to be made for the same purpose.

**TRUMBULL 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
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FINDING NUMBER 2005-003

Noncompliance Citation and Reportable Condition - (Continued)

We recommend that original detailed support be maintained by the Fiscal Officer for all expenditures. No payment should be made without the proper supporting documentation. Statements for bills that do not detail the items purchased are not considered proper support. The original invoices should be attached to the voucher package (check stub) and filed in an organized manner.

Official's Response:

We will ensure that all vouchers have the original supporting invoices.

FINDING NUMBER 2005-004

Material Weakness

The Township utilizes the Uniform Accounting Network (UAN), a computerized system of accounting. This system was developed by the Auditor of State's office, which when properly instituted will provide a good form of internal controls and safeguards for governmental accounting transactions.

The Uniform Accounting Network (UAN) Manual provides instructions for the Township's cash management of bank reconciliations which provide the ability to reconcile the primary checking account balance in the system with the monthly bank account statement. Additional applications in the manual also provide reconciling any other account(s) and investments that the Township may have.

The Township's financial records were not properly reconciled with the Township's depositories on a monthly basis during the years under audit, 2005 and 2004. Every month there were posting errors to the records of the Township, which also affected the accuracy of the Township's annual financial reports. Adjustments were required to be made to the financial statements and the records of the Township.

Without an accurate monthly reconciliation between the books and the banks utilized by the Township, and maintaining current and accurate posting of records, undetected errors or irregularities could occur and not be corrected on a timely basis.

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. Monthly reconciliations should be performed by the Fiscal Officer and any unusual adjustments needed to reconcile should be presented to the Board of Trustees.

Official's Response:

Monthly reconciliations will be performed and any adjusting entries will be properly identified on the reconciliations. Any errors on the reconciliation will be corrected and/or disclosed as soon as identified. Reconciliations will be presented to the Board for their review and approval.

**TRUMBULL 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
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FINDING NUMBER 2005-005

Material Weakness

UAN is a financial management computer system that allows public officials to easily apply accounting standards to their financial record keeping. The network allows local officials to increase efficiency and accountability when managing public funds.

The Uniform Accounting Network (UAN) Manual provides instructions for the Township's accounting of cash transactions, including bank reconciliations, purchases, receipts, accounting adjustments, payroll, and purchase orders, and when properly utilized, will allow for the Fiscal Officer to enter information in the system that provides proper accounting and reporting of the Township's financial information.

The following weaknesses were noted in the course of the audit in regards to the accounting transactions of the Township:

- 1- Check amounts and numbers posted to the system, did not always correspond to the actual check numbers and amounts that cleared the bank in 45 instances.
- 2- Invoices were paid twice in approximately ten instances.
- 3- Checks that were voided were posted in the system as a valid check 5 times during the audit period.
- 4- Checks that were posted in the system for varying amounts were not cashed or voided 28 instances during the audit period.
- 5- There were twenty transactions that were not being posted in the month that they occurred.
- 6- Bank reconciliations contained "Other adjusting factors".

The cumulative effects of the various weaknesses noted are that the possibility exists that monies could be diverted from the Township without proper detection, accurate accounting records are not maintained, and the auditing function becomes tedious in accounting for these transactions. Adjustments were required to be made to the financial statements and the records of the Township.

In order for the Township to properly account for their financial information, the following should be implemented:

1. Monthly reconciliations should be approved and signed by a member of the Board of Trustees. All financial data should also be provided to the Board as a whole, and the Audit Committee, such as monthly appropriation and receipt ledger statements, investments and cash journal account information. As part of this review by the Board, any transactions such as voided checks, transfers between bank accounts, and any adjusting factors to the bank reconciliations should be identified and accounted for as being accurate and signed-off by the Board as a means of noting their approval.
2. In order to provide accurate financial information, receipts/deposits, and expenditures /withdrawals should all be accounted for in the month in which they occurred. When differences do occur, a proof of cash should be performed to determine that check numbers and their amounts agree to what is posted and as to what cleared the bank. Receipts should be traced to the date issued, the month they are posted to the Township records and to bank deposits as a means to identify if all the information is current and accurate. When an invoice is paid, it should be marked "paid" and the date listed. Due care in entering information should help eliminate the need to have any adjustments to the bank reconciliations that are out of the norm in performing said reconciliations.

**TRUMBULL 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
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FINDING NUMBER 2005-005

Material Weakness

Official's Response:

The above recommendation will be implemented.

FINDING NUMBER 2005-006

Material Weakness

The Uniform Accounting Network Manual in the Appendix provides a Township Chart of Accounts which details the revenue and expenditure codes, name of the source information, and a brief description of the type of revenue or expenditure that relates to the code to be used for the accounting of those transactions.

Revenue and expenditure transactions were not always classified or recorded to the correct financial statement line items, based on the UAN descriptions and nature of the transactions for the years 2005 and 2004. Failure to accurately record revenues and expenditures to the proper line item could result in material misstatements to the financial statements.

The Township should use the UAN Accounting Manual and UAN crosswalk table of revenues and expenditures as a source, for proper recording of receipts and disbursements.

Official's Response:

The UAN chart of accounts is used, however postings error can occur. We will verify the type of transaction prior to posting to minimize the risk of errors.

FINDING NUMBER 2005-007

Material Weakness

The Township has not implemented an effective monitoring control system which would assist management in detecting material misstatements in financial and other information. We noted that the following controls not being implemented by the Trustees:

- Monthly review of budget and actual activity including required submission of budgetary reports; which acceptance should be noted in the Minutes.
- Monthly review of unusual or significant items on the bank-to-book reconciliations, such as long outstanding checks or deposits;
- Monthly financial reports presented by the Fiscal Officer at monthly Board meetings, which acceptance should be noted in the Minutes.

**TRUMBULL 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
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FINDING NUMBER 2005-007 - (Continued)

Monitoring controls comprise regular management and supervisory activities established to oversee whether management's objectives are being achieved, covering operational, legal compliance, and financial control objectives. Effective monitoring controls should identify unexpected results or exceptions (including significant compliance exceptions), investigate underlying causes, and take corrective action. Monitoring controls should assist management in detecting material misstatements in the financial or other information presented.

The Township should develop and implement a monitoring control system to determine that material misstatements or misappropriations of assets do not occur. To assist management with the above reviews and the acceptance of same, UAN provides a "Signature Page" which lists the reports that the Fiscal Officer has presented to the Board at the regular monthly Trustee's meeting and provides spaces for the Trustee's signature for acceptance of the reports.

Official's Response:

We will utilize the Signature Page for guidance on reports to be submitted and reviewed by the Board and initial the same.

**TRUMBULL TOWNSHIP
ASHTABULA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEARS ENDED DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-31104-001	Lack of bank monthly reconciliations.	No	Not corrected: Repeated as Finding 2005-003.
2003-31104-002	Checks were written off the UAN system, voided checks not maintained, vouchers not always on file, supporting documentation not always with voucher, differences in amounts paid as compared to invoices not explained, and Fiscal Officer's signature not always on warrant.	No	Not Corrected: Repeated as Findings 2005-004 and 2005-006



Mary Taylor, CPA
Auditor of State

TRUMBULL 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
FEBRUARY 7, 2008**