



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**HUBBARD TOWNSHIP
TABLE OF CONTENTS**

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types For the Year Ended December 31, 1998	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types For the Year Ended December 31, 1997	4
Notes to the Financial Statements	5
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11
Schedule of Findings	13

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REPORT OF INDEPENDENT ACCOUNTANTS

Hubbard Township
Trumbull County
2600 Elmwood Drive Extension
Hubbard, Ohio 44425

To the Board of Trustees:

We have audited the accompanying financial statements of Hubbard Township, Trumbull County, Ohio, (the Township) as of and for the years ended December 31, 1998 and December 31, 1997. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 1998 and December 31, 1997, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2000 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

This report is intended solely for the information and use of management, the Board of Trustee and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Jim Petro
Auditor of State

June 30, 2000

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

	<u>Governmental Fund Types</u>			(Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Total</u>
Cash receipts:				
Local taxes	\$30,943	\$688,492		\$719,435
Intergovernmental	199,244	217,166	1,536	417,946
Fines and Forfeitures	24,339			24,339
Fines, licenses, and permits	12,240			12,240
Interest	7,410			7,410
All Other Revenue	<u>74,572</u>	<u>8,567</u>		<u>83,139</u>
Total cash receipts	<u>348,748</u>	<u>914,225</u>	<u>1,536</u>	<u>1,264,509</u>
Cash disbursements:				
Current:				
General government	137,046			137,046
Public Safety	83,958	815,754		899,712
Public Works		52,619		52,619
Health	11,394			11,394
Miscellaneous	49,187			49,187
Capital outlay			1,536	1,536
Total program disbursements	<u>281,585</u>	<u>868,373</u>	<u>1,536</u>	<u>1,151,494</u>
Total receipts over/(under) program disbursements	<u>67,163</u>	<u>45,852</u>		<u>113,015</u>
Other financing receipts/(disbursements)				
Transfers-in		5,000		5,000
Transfers-out	<u>(5,000)</u>			<u>(5,000)</u>
Total other financing receipts/(disbursements)	<u>(5,000)</u>	<u>5,000</u>		
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	62,163	50,852		113,015
Fund cash balances January 1, 1998	<u>65,391</u>	<u>248,083</u>		<u>313,474</u>
Fund cash balances, December 31, 1998	<u>\$127,554</u>	<u>\$298,935</u>		<u>\$426,489</u>

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

HUBBARD TOWNSHIP
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1997

	<u>Governmental Fund Types</u>			(Memorandum Only) Total
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash receipts:				
Local taxes	\$29,933	\$662,785		\$692,718
Intergovernmental	257,675	215,476	119,101	592,252
Special assessments		35,025		35,025
Fines and Forfeitures	9,848			9,848
Fines, licenses, and permits	6,314			6,314
Interest	6,647			6,647
Miscellaneous	21,881	2,865		24,746
Total cash receipts	<u>332,298</u>	<u>916,151</u>	<u>119,101</u>	<u>1,367,550</u>
Cash disbursements:				
Current:				
General government	166,921			166,921
Public Safety	103,210	872,112		975,322
Health	11,055			11,055
Miscellaneous		30,587		30,587
Capital outlay			119,101	119,101
Total program disbursements	<u>281,186</u>	<u>902,699</u>	<u>119,101</u>	<u>1,302,986</u>
Total receipts over/(under) program disbursements	<u>51,112</u>	<u>13,452</u>		<u>64,564</u>
Fund cash balances January 1, 1997	<u>14,279</u>	<u>234,630</u>		<u>248,909</u>
Fund cash balances, December 31, 1997	<u>\$65,391</u>	<u>\$248,082</u>		<u>313,473</u>

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

**HUBBARD TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

Hubbard Township, Trumbull County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

B. BASIS OF ACCOUNTING

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. 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 prescribed or permitted by the Auditor of State.

C. CASH

The Township maintained a NOW account with National City Bank during the period.

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:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

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

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

Police District Fund - This fund receives special levy money for public safety concerns.

HUBBARD TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project funds

Issue II Fund - The Township received a grant from the State of Ohio to repair Township streets.

E. BUDGETARY PROCESS

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

Appropriations

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

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.

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 re-appropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 1998 and 1997 budgetary activity appears in Note 3.

F. PROPERTY, PLANT AND EQUIPMENT

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

G. UNPAID VACATION AND SICK LEAVE

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Township.

**HUBBARD TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>1997</u>	<u>1998</u>
Demand deposits	<u>\$313,473</u>	<u>\$426,489</u>

Deposits:

Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1998 and December 31, 1997 was as follows:

1998 Budgeted VS. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$240,702	\$348,748	\$108,046
Special Revenue	876,074	919,225	43,151
Capital Projects	<u>0</u>	<u>1,536</u>	<u>1,536</u>
Total	<u>\$1,116,776</u>	<u>\$1,269,509</u>	<u>\$152,733</u>

1998 Budgeted VS. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$313,997	\$286,585	\$27,412
Special Revenue	1,116,041	868,373	247,668
Capital Projects	<u>0</u>	<u>1,536</u>	(1,536)
Total	<u>\$1,430,038</u>	<u>\$1,156,494</u>	<u>\$273,544</u>

**HUBBARD TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1997 Budgeted VS. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$332,250	\$332,298	\$48
Special Revenue	905,316	916,151	10,835
Capital Projects	<u>0</u>	<u>119,101</u>	<u>119,101</u>
Total	<u>\$1,237,566</u>	<u>\$1,367,550</u>	<u>\$129,984</u>

1997 Budgeted VS. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$347,559	\$281,186	\$66,373
Special Revenue	1,139,943	902,699	237,244
Capital Projects	<u>0</u>	<u>119,101</u>	<u>(119,101)</u>
Total	<u>\$1,487,502</u>	<u>\$1,302,986</u>	<u>\$184,516</u>

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, 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.

**HUBBARD TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)**

5. DEBT

Debt outstanding at December 31, 1998 was as follows:

	Principal	Interest Rate
Ford Motor Credit Company(Cruisers)	\$12,401	5.50%
Ford Motor Credit Company (Truck)	8,829	7.25%
Total	\$21,230	

The Ford Motor Credit Company Lease relates to financing a dump truck for the Road Department and two cruisers for the Police Department.

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

Year ending December 31:	Ford Motor Credit Cruiser Lease	Ford Motor Credit Truck Lease
1999	\$13,084	\$9,469

6. RETIREMENT SYSTEMS

The Township's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1998 and 1997, members of PERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. For 1998 and 1997, law enforcement officers contributed 9% of their wages to PERS. The Township contributed an amount equal to 16.7% of their wages. The Township has paid all contributions required through December 31, 1998.

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Automobile Liability
- Errors and omissions
- Law Enforcement Professional Liability
- Real and Personal Property Coverage
- Business Electronic Equipment Coverage
- Bond and Crime Coverage

**HUBBARD TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)**

8. LEGAL COMPLIANCE

Section 117.06, Ohio Revised Code, requires that Township Clerk's render an annual financial report, for the preceding fiscal year, to the Auditor of State within sixty days after the close of the fiscal year. Hubbard Township filed its 1997 and 1998 annual financial reports on January 28, 2000.

Section 117-3-01 to 117-3-17, Ohio Administrative Code, requires each township to employ the uniform system of accounting. The uniform system of accounting also requires that three basic records be maintained. The required records are the cash journal, receipts ledger, and appropriation ledger. The Township did not maintain these basic records on an on-going basis throughout the audit period. The Clerk posted 1997 and 1998 transactions during July thru December of 1999.

Section 5705.36 and 5705.39, Revised Code, provide that appropriations from each fund shall not exceed the estimated revenue available for expenditure as certified by the county budget commission.

The 1997 General Fund had estimated resources of \$336,529 and appropriations of \$347,559.

The Township Clerk did not certify or encumber purchase commitments greater than \$1000 as required by Section 5705.41(D), Ohio Revised Code.



STATE OF OHIO
OFFICE OF THE AUDITOR

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

Hubbard Township
Trumbull County
2600 Elmwood Drive Extension
Hubbard, Ohio 44425

To the Board of Trustees:

We have audited the accompanying financial statements of Hubbard Township, Trumbull County, Ohio (the Township), as of and for the years ended December 31, 1998 and December 31, 1997, and have issued our report thereon dated June 30, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1998-41178-001 to 1998-41178-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 30, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 30, 2000.

Hubbard Township
Trumbull County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

June 30, 2000

**HUBBARD TOWNSHIP
SCHEDULE OF FINDINGS**

DECEMBER 31, 1998 AND 1997

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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1. Finding Number 1998-41178-001

Section 117.06, Ohio Revised Code, requires that Township Clerk's render an annual financial report, for the preceding fiscal year, to the Auditor of State within sixty days after the close of the fiscal year.

Hubbard Township filed its 1997 and 1998 annual financial reports on January 28, 2000.

2. Finding Number 1998-41178-002

Section 117-3-01 to 117-3-17, Ohio Administrative Code, requires each township to employ the uniform system of accounting. The uniform system of accounting also requires that three basic records be maintained. The required records are the cash journal, receipts ledger, and appropriation ledger.

The Township did not maintain these basic records on an on-going basis throughout the audit period. The Clerk posted 1997 and 1998 transactions during July thru December of 1999.

3. Finding Number 1998-41178-003

Section 5705.36 and 5705.39, Revised Code, provide that appropriations from each fund shall not exceed the estimated revenue available for expenditure as certified by the county budget commission.

The 1997 General Fund had estimated resources of \$336,529 and appropriations of \$347,559.

Management should establish control policies and procedures that are sufficient to determine the will of the Board is being followed. Budgetary control is based on the premise that:

1. Actual expenditures may not exceed appropriations.
2. Appropriations may not exceed the certificate of estimated resources.

4. Finding Number 1998-41178-004

Section 5705.41 (D), Revised Code, provides that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

This section also provides two "exceptions" to the above requirements:

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

**HUBBARD TOWNSHIP
SCHEDULE OF FINDINGS**

**DECEMBER 31, 1998 AND 1997
(Continued)**

B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Township Trustees.

Certain liabilities, contracts, and open purchase commitments greater than \$ 1000 were not certified by the Township Clerk and were not encumbered. These commitments were not subsequently approved by the Township Trustees within the aforementioned 30 day time period.

Vouchers selected for a substantive expenditure test for the period were not properly encumbered by the clerk 80% of the time.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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HUBBARD TOWNSHIP

TRUMBULL 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
AUGUST 22, 2000