



**MIDDLETON TOWNSHIP
COLUMBIANA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Middleton Township
Columbiana County
P.O. Box 295
Negley, Ohio 44441

To the Board of Trustees:

We have audited the accompanying financial statements of Middleton Township, Columbiana County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998. 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 discussed 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 and reserves for encumbrances of the Township as of December 31, 1999 and 1998, 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 March 13, 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 the Board, management, 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.

Jim Petro
Auditor of State

March 13, 2000

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$18,634	\$229,283	\$24,000	\$0	\$271,917
Intergovernmental	117,665	106,571			224,236
Earnings on Investments	1,880	235			2,115
Other Revenue	3,407	1,693			5,100
Total Cash Receipts	<u>141,586</u>	<u>337,782</u>	<u>24,000</u>	<u>0</u>	<u>503,368</u>
Cash Disbursements:					
Current:					
General Government	59,416				59,416
Public Safety		74,564			74,564
Public Works		225,232			225,232
Health	5,582				5,582
Debt Service:					
Redemption of Principal			20,997		20,997
Interest and Fiscal Charges			2,920		2,920
Capital Outlay	31,980	10,600		2,340	44,920
Total Cash Disbursements	<u>96,978</u>	<u>310,396</u>	<u>23,917</u>	<u>2,340</u>	<u>433,631</u>
Total Receipts Over/(Under) Disbursements	<u>44,608</u>	<u>27,386</u>	<u>83</u>	<u>(2,340)</u>	<u>69,737</u>
Fund Cash Balances, January 1	35,775	48,947	1,042	2,344	88,108
Fund Cash Balances, December 31	<u>\$80,383</u>	<u>\$76,333</u>	<u>\$1,125</u>	<u>\$4</u>	<u>\$157,845</u>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Fiduciary Fund Type		Totals (Memorandum Only)
	Nonexpendable Trust	Agency	
Operating Cash Receipts:			
Interest	\$229		\$229
Other		\$7,333	7,333
Total Operating Cash Receipts	229	7,333	7,562
Operating Cash Disbursements:			
Other		7,333	7,333
Total Operating Cash Disbursements	0	7,333	7,333
Operating Income	229	0	229
Fund Cash Balances, January 1	4,879	0	4,879
Fund Cash Balances, December 31	\$5,108	\$0	\$5,108

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

**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>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$14,834	\$177,752	\$24,000		\$216,586
Intergovernmental	59,104	100,200			159,304
Interest	2,773	339			3,112
Other Revenue	3,685	15,619		\$2,340	21,644
Total Cash Receipts	<u>80,396</u>	<u>293,910</u>	<u>24,000</u>	<u>2,340</u>	<u>400,646</u>
Cash Disbursements:					
Current:					
General Government	54,983				54,983
Public Safety		75,156			75,156
Public Works		216,211			216,211
Health	5,950				5,950
Debt Service:					
Redemption of Principal			20,305		20,305
Interest and Fiscal Charges			4,273		4,273
Capital Outlay	5,329				5,329
Total Cash Disbursements	<u>66,262</u>	<u>291,367</u>	<u>24,578</u>	<u>0</u>	<u>382,207</u>
Total Receipts Over/(Under) Disbursements	<u>14,134</u>	<u>2,543</u>	<u>(578)</u>	<u>2,340</u>	<u>18,439</u>
Fund Cash Balances, January 1	21,641	46,404	1,620	4	69,669
Fund Cash Balances, December 31	<u>\$35,775</u>	<u>\$48,947</u>	<u>\$1,042</u>	<u>\$2,344</u>	<u>\$88,108</u>
Reserve for Encumbrances, December 31	<u>\$54</u>	<u>\$360</u>	<u>\$0</u>	<u>\$0</u>	<u>\$414</u>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 NON-EXPENDABLE TRUST FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	Nonexpendable Trust
Operating Cash Receipts:	
Interest	\$233
Total Operating Cash Receipts	233
Operating Income	233
Fund Cash Balances, January 1	4,646
Fund Cash Balances, December 31	\$4,879

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Middleton Township, Columbiana 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 cemetery maintenance services. The Township contracts with the Negley Volunteer Fire Department and the Rogers Volunteer Fire Department to provide fire 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 and Investments

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. 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.

2. 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.

Fire Special Levy Fund - The fund receives local tax money and is used for the payment of fire contracts with fire departments within the Township.

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

3. Debt Service Funds

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following significant Debt Service Funds:

Note Retirement Fund - The note retirement fund receives local tax money and is used to retire two notes. The principal of one note was used to purchase a dump truck while the principal of the other note was used to purchase the Township Garage and Office.

4. 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:

Permanent Improvement Fund - Lake Tomahawk - The Township received a donation from the residents of Lake Tomahawk to maintain Dyke Road.

5. Fiduciary Funds (Trust and Agency Funds)

These funds are used to account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following significant fiduciary funds:

Cemetery Bequest Funds - These funds were established from the bequest for Mt. Zion Cemetery. The Interest from these funds must be spent on the maintenance of cemetery lots.

Agency Fund - This fund is used for proceeds held in trust for insurance purposes.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund or 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.

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made.

A summary of 1999 and 1998 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.

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 and investments at December 31 was as follows:

	<u>1999</u>	<u>1998</u>
Demand deposits	\$158,453	\$88,487
Certificates of deposit	4,500	4,500
Total deposits and investments	\$162,953	\$92,987

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$137,838	\$141,586	\$3,748
Special Revenue	342,544	337,782	(4,762)
Debt Service	24,000	24,000	0
Capital Projects	2,400	0	(2,400)
Fiduciary	7,579	7,562	(17)
Total	\$514,361	\$510,930	(\$3,431)

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(CONTINUED)**

3. BUDGETARY ACTIVITY - (Continued)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$124,728	\$96,978	\$27,750
Special Revenue	391,843	310,396	81,447
Debt Service	25,042	23,917	1,125
Capital Projects	4,742	2,340	2,402
Fiduciary	7,943	7,333	610
Total	<u>\$554,298</u>	<u>\$440,964</u>	<u>\$113,334</u>

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$69,769	\$80,396	\$10,627
Special Revenue	287,174	293,910	6,736
Debt Service	24,000	24,000	0
Capital Projects	2,000	2,340	340
Fiduciary	274	233	(41)
Total	<u>\$383,217</u>	<u>\$400,879</u>	<u>\$17,662</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$91,410	\$66,316	\$25,094
Special Revenue	333,966	291,727	42,239
Debt Service	25,619	24,578	1,041
Capital Projects	2,001	0	2,001
Fiduciary	414	0	414
Total	<u>\$453,410</u>	<u>\$382,621</u>	<u>\$70,789</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.

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.

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(CONTINUED)**

5. DEBT

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
General Obligation Notes - Dump Truck	\$21,547	5.87%
General Obligation Notes - Garage & Office	10,475	6.00%
Total	\$32,022	

The general obligation notes were issued to finance the purchase of a new dump truck to be used for Township road maintenance and to build and furnish a new Township garage and office. The general obligation notes were secured with the truck and the garage and office described above.

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

Year ending December 31:	General Obligation Notes	General Obligation Notes
2000	\$11,598	\$11,660
2001	11,552	0
Total	\$23,150	\$11,660

6. RETIREMENT SYSTEMS

Township 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 postretirement 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. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

The Township also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

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

Middleton Township
Columbiana County
P.O. Box 295
Negley, Ohio 44441

To the Board of Trustees:

We have audited the accompanying financial statements of Middleton Township, Columbiana County, Ohio (the Township), as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated March 13, 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated March 13, 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 March 13, 2000.

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

Jim Petro
Auditor of State

March 13, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

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MIDDLETON TOWNSHIP

COLUMBIANA 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
APRIL 6, 2000**