



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

MIDDLETON TOWNSHIP
COLUMBIANA COUNTY

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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 (the Township) as of and for the years ended December 31, 2001 and 2000. 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 *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, 2001 and 2000, 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 25, 2002 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the management, the Board 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

March 25, 2002

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**MIDDLETON TOWNSHIP
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<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	\$18,257	\$229,266	\$22,000		\$269,523
Intergovernmental	92,130	107,205			199,335
Earnings on Investments	1,558	106			1,664
Other Revenue	4,623	4,127		\$2,000	10,750
Total Cash Receipts	<u>116,568</u>	<u>340,704</u>	<u>22,000</u>	<u>2,000</u>	<u>481,272</u>
Cash Disbursements:					
Current:					
General Government	82,145				82,145
Public Safety		74,310			74,310
Public Works		279,264			279,264
Health	6,096				6,096
Debt Service:					
Redemption of Principal			18,394		18,394
Interest and Fiscal Charges			2,910		2,910
Capital Outlay	14,471			4,500	18,971
Total Cash Disbursements	<u>102,712</u>	<u>353,574</u>	<u>21,304</u>	<u>4,500</u>	<u>482,090</u>
Total Receipts Over/(Under) Disbursements	<u>13,856</u>	<u>(12,870)</u>	<u>696</u>	<u>(2,500)</u>	<u>(818)</u>
Other Financing Receipts/(Disbursements):					
Advances-In				8,000	8,000
Advances-Out	(8,000)				(8,000)
Total Other Financing Receipts/(Disbursements)	<u>(8,000)</u>			<u>8,000</u>	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>5,856</u>	<u>(12,870)</u>	<u>696</u>	<u>5,500</u>	<u>(818)</u>
Fund Cash Balances, January 1	<u>75,937</u>	<u>30,996</u>	<u>869</u>	<u>4</u>	<u>107,806</u>
Fund Cash Balances, December 31	<u>\$81,793</u>	<u>\$18,126</u>	<u>\$1,565</u>	<u>\$5,504</u>	<u>\$106,988</u>

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

**MIDDLETON TOWNSHIP
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Fiduciary Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>Nonexpendable Trust</u>	<u>Agency</u>	
Operating Cash Receipts:			
Interest	\$299		\$299
Other		\$5,000	5,000
	<u>299</u>	<u>5,000</u>	<u>5,299</u>
Total Operating Cash Receipts	299	5,000	5,299
Net Receipts Over Disbursements	299	5,000	5,299
Fund Cash Balances, January 1	<u>4,514</u>		<u>4,514</u>
Fund Cash Balances, December 31	<u>\$4,813</u>	<u>\$5,000</u>	<u>\$9,813</u>

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

**MIDDLETON TOWNSHIP
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<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	\$17,459	\$212,134	\$28,000		\$257,593
Intergovernmental	80,436	106,111			186,547
Earnings on Investments	2,915	249			3,164
Other Revenue	4,045	11,710			15,755
Total Cash Receipts	<u>104,855</u>	<u>330,204</u>	<u>28,000</u>		<u>463,059</u>
Cash Disbursements:					
Current:					
General Government	92,939	4,395			97,334
Public Safety		74,330			74,330
Public Works		295,613			295,613
Health	13,364				13,364
Miscellaneous		1,203			1,203
Debt Service:					
Redemption of Principal			25,331		25,331
Interest and Fiscal Charges			2,925		2,925
Capital Outlay	3,000	41,852			44,852
Total Cash Disbursements	<u>109,303</u>	<u>417,393</u>	<u>28,256</u>		<u>554,952</u>
Total Receipts (Under) Disbursements	<u>(4,448)</u>	<u>(87,189)</u>	<u>(256)</u>		<u>(91,893)</u>
Other Financing Receipts:					
Proceeds from Sale of Public Debt:					
Sale of Notes		41,852			41,852
Total Other Financing Receipts		<u>41,852</u>			<u>41,852</u>
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements	<u>(4,448)</u>	<u>(45,337)</u>	<u>(256)</u>		<u>(50,041)</u>
Fund Cash Balances, January 1	<u>80,385</u>	<u>76,333</u>	<u>1,125</u>	<u>4</u>	<u>157,847</u>
Fund Cash Balances, December 31	<u>\$75,937</u>	<u>\$30,996</u>	<u>\$869</u>	<u>\$4</u>	<u>\$107,806</u>
Reserve for Encumbrances, December 31	<u>\$329</u>	<u>\$55</u>			<u>\$384</u>

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

MIDDLETON TOWNSHIP
COLUMBIANA COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>Fiduciary Fund Type</u>	<u>Nonexpendable Trust</u>
Operating Cash Receipts:		
Interest	\$239	
Total Operating Cash Receipts	<u>239</u>	
Operating Cash Disbursements:		
Other	833	
Total Operating Cash Disbursements	<u>833</u>	
Net Receipts (Under) Disbursements	(594)	
Fund Cash Balances, January 1	<u>5,108</u>	
Fund Cash Balances, December 31	<u>\$4,514</u>	

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

**MIDDLETON TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

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 bridge maintenance and cemetery maintenance. 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

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

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:

**MIDDLETON TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Road and Bridge Fund - This fund receives property tax money to construct, maintain and repair Township roads and bridges.

Road Special Levy 98 Fund - This fund receives property tax money to construct, maintain and repair Township roads.

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

3. Debt Service Funds

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

Note Retirement Fund - The note retirement fund receives local tax money and is used to retire three notes. The principal of the notes were used to purchase a dump truck, Township garage, office and a backhoe.

4. Capital Projects 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 projects funds:

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

PUCO Grant Fund - The Township received a grant for railroad crossing maintenance.

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:

Ferrell Cemetery Bequest Fund and Gorby Cemetery Bequest Fund - These funds were established from the bequests for Mt. Zion Cemetery. The interest from these funds must be spent on the maintenance of cemetery lots.

Stateline Resources Road Bond Fund - This fund is used for proceeds held in trust for insurance purposes.

E. Budgetary Process

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

**MIDDLETON TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

A summary of 2001 and 2000 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. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2001</u>	<u>2000</u>
Demand deposits	\$112,301	\$107,820
Certificates of deposit	<u>4,500</u>	<u>4,500</u>
Total deposits	<u><u>\$116,801</u></u>	<u><u>\$112,320</u></u>

**MIDDLETON TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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 ended December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$58,135	\$116,568	\$58,433
Special Revenue	341,795	340,704	(1,091)
Debt Service	24,000	22,000	(2,000)
Capital Projects	0	2,000	2,000
Fiduciary	5,222	5,299	77
Total	\$429,152	\$486,571	\$57,419

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$133,823	\$102,712	\$31,111
Special Revenue	372,776	353,574	19,202
Debt Service	24,868	21,304	3,564
Capital Projects	8,002	4,500	3,502
Fiduciary	5,236	0	5,236
Total	\$544,705	\$482,090	\$62,615

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$87,081	\$104,855	\$17,774
Special Revenue	389,698	372,056	(17,642)
Debt Service	24,240	28,000	3,760
Capital Projects	0	0	0
Fiduciary	224	239	15
Total	\$501,243	\$505,150	\$3,907

**MIDDLETON TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$167,465	\$109,632	\$57,833
Special Revenue	466,028	417,448	48,580
Debt Service	30,362	28,256	2,106
Capital Projects	4	0	4
Fiduciary	930	833	97
Total	\$664,789	\$556,169	\$108,620

Contrary to Ohio Rev. Code, the Township did not always certify the availability of funds prior to incurring obligations.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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.

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
General Obligation Note	\$30,608	7%

The general obligation notes were issued to finance the purchase of a new backhoe to be used for Township road maintenance. This is backed by the full faith of the Township.

**MIDDLETON TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. DEBT (Continued)

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

<u>Year ending December 31:</u>	<u>General Obligation Notes</u>
2002	\$9,996
2003	9,996
2004	9,996
2005	<u>4,998</u>
Total	<u><u>\$34,986</u></u>

6. RETIREMENT SYSTEMS

The Township's 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. For 2001 and 2000, members of PERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2001. The Township has paid all contributions required through December 31, 2001.

7. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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

8. CONTINGENT LIABILITIES

The District is one of several Townships named in a Board of Tax Appeal Case. The case deals with the alternate formula for distribution of local government tax monies. Although the outcome of this case is not presently determinable, counsel believes that the resolution of this matter will not materially adversely affect the Township's financial condition.



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**

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 (the Township) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated March 25, 2002. 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 *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 the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-41215-001. Also, we noted a certain immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated March 25, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 25, 2002.

This report is intended solely for the information and use of the 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 fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

March 25, 2002

**MIDDLETON TOWNSHIP
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-41215-001

Noncompliance Citation

Ohio Revised Code Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment 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.

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

During non-payroll disbursements testing, it was brought to our attention that the Township had 20 instances out of 60 where the obligation was entered into prior to being certified by the Clerk and neither of the exceptions described were utilized. This condition does not provide adequate accountability over the Township's disbursements. Disbursements may be incurred which either the Trustees or management have not authorized or which the Township cannot afford.

We recommend that all Township departments be advised that a purchase order with the certificate of the Clerk be obtained prior to making an order involving the expenditure of money. Any request for payment from a vendor without such purchase order should be reviewed by management before the payment is made.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
JUNE 18, 2002**