



**Auditor of State  
Betty Montgomery**



YELLOW CREEK TOWNSHIP  
COLUMBIANA COUNTY

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Yellow Creek Township  
Columbiana County  
1075 Township Line Road  
Wellsville, Ohio 43968

To the Board of Trustees:

We have audited the accompanying financial statements of Yellow Creek Township, Columbiana County (the Township) as of and for the years ended December 31, 2003 and 2002. 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.

The Township's financial transactions were processed using 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 conduct the audit of 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 service, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

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, 2003 and 2002, 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 May 24, 2004 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, Board of Trustees, 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

May 24, 2004

YELLOW CREEK 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, 2003**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$22,681	\$129,745	\$8,000	\$160,426
Intergovernmental	55,034	92,984		148,018
Earnings on Investments	82	32		114
Other Revenue	5,315	2,437		7,752
	<u>83,112</u>	<u>225,198</u>	<u>8,000</u>	<u>316,310</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
General Government	66,764			66,764
Public Safety		68,650		68,650
Public Works		176,318		176,318
Debt Service:				
Redemption of Principal			11,565	11,565
	<u>66,764</u>	<u>244,968</u>	<u>11,565</u>	<u>323,297</u>
<b>Total Cash Disbursements</b>				
<b>Total Receipts Over/(Under) Disbursements</b>	<u>16,348</u>	<u>(19,770)</u>	<u>(3,565)</u>	<u>(6,987)</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-In		12,000	3,565	15,565
Transfers-Out	(15,565)			(15,565)
	<u>(15,565)</u>	<u>12,000</u>	<u>3,565</u>	
<b>Total Other Financing Receipts/(Disbursements)</b>				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	783	(7,770)		(6,987)
Fund Cash Balances, January 1	10,994	43,139		54,133
<b>Fund Cash Balances, December 31</b>	<u>\$11,777</u>	<u>\$35,369</u>	<u>\$0</u>	<u>\$47,146</u>
Reserve for Encumbrances, December 31	<u>\$24</u>	<u>\$0</u>	<u>\$0</u>	<u>\$24</u>

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

YELLOW CREEK 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, 2002**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$23,368	\$136,225	\$6,000	\$165,593
Intergovernmental	35,442	81,005		116,447
Earnings on Investments	59	177		236
Other Revenue	4,934	900		5,834
<b>Total Cash Receipts</b>	<u>63,803</u>	<u>218,307</u>	<u>6,000</u>	<u>288,110</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	37,502			37,502
Public Safety		68,282		68,282
Public Works		169,749		169,749
Health	4,613			4,613
Debt Service:				
Redemption of Principal			11,565	11,565
<b>Total Cash Disbursements</b>	<u>42,115</u>	<u>238,031</u>	<u>11,565</u>	<u>291,711</u>
Total Receipts Over/(Under) Disbursements	<u>21,688</u>	<u>(19,724)</u>	<u>(5,565)</u>	<u>(3,601)</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-In		21,476	2,000	23,476
Transfers-Out	(23,476)		0	(23,476)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(23,476)</u>	<u>21,476</u>	<u>2,000</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(1,788)	1,752	(3,565)	(3,601)
Fund Cash Balances, January 1	12,782	41,387	3,565	57,734
<b>Fund Cash Balances, December 31</b>	<u><b>\$10,994</b></u>	<u><b>\$43,139</b></u>	<u><b>\$0</b></u>	<u><b>\$54,133</b></u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$24</u>	<u>\$0</u>	<u>\$24</u>

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

**YELLOW CREEK TOWNSHIP  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Yellow Creek 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, 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 and Investments**

Investments are reported as assets. 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.

The Township investments are limited to an interest bearing checking account.

**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.

**YELLOW CREEK TOWNSHIP  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Gasoline Tax Fund* - This fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads.

*Fire District Fund* - This fund receives property tax money for the general operation of the fire district.

**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 Funds

*General Bond (Note) Retirement Fund* – This fund is used to pay the principal and interest due on the loan for a tractor/mower.

**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 fund 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.

A summary of 2003 and 2002 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.

**YELLOW CREEK TOWNSHIP  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(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 and investments at December 31 was as follows:

	2003	2002
Demand deposits	\$47,146	\$54,133
Total investments	0	0
Total deposits and investments	\$47,146	\$54,133

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

**2003 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$79,051	\$83,112	\$4,061
Special Revenue	265,458	237,198	(28,260)
Debt Service	11,565	11,565	0
Total	\$356,074	\$331,875	(\$24,199)

**2003 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$80,479	\$82,353	(\$1,874)
Special Revenue	284,313	244,968	39,345
Debt Service	11,565	11,565	0
Total	\$376,357	\$338,886	\$37,471

**2002 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$59,329	\$63,803	\$4,474
Special Revenue	254,172	239,783	(14,389)
Debt Service	16,000	8,000	(8,000)
Total	\$329,501	\$311,586	(\$17,915)

**2002 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$69,689	\$65,591	\$4,098
Special Revenue	277,649	238,055	39,594
Debt Service	19,566	11,565	8,001
Total	\$366,904	\$315,211	\$51,693

**YELLOW CREEK TOWNSHIP  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. BUDGETARY ACTIVITY – (Continued)**

**Ohio Revised Code § 5705.41(D)** – The Township did not properly certify all obligations as required by this section.

**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.

**5. RETIREMENT SYSTEMS**

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is 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 2003 and 2002, members of PERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Township has paid all contributions required through December 31, 2003.

**6. RISK MANAGEMENT**

**Commercial Insurance**

The Township has obtained commercial insurance for the following risks:

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

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



**Auditor of State  
Betty Montgomery**

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

Yellow Creek Township  
Columbiana County  
1075 Township Road  
Wellsville, Ohio 43968

To the Board of Trustees:

We have audited the financial statements of Yellow Creek Township (the Township) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated May 24, 2004 wherein we noted that the Township's financial transactions were processed using 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 conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 finding as item 2003-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated May 24, 2004.

**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.

Yellow Creek Township  
Columbiana County  
Independent Accountants' Report on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

However, we noted one matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Township in a separate letter dated May 24 2004.

This report is intended solely for the information and use of the management and 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

May 24, 2004

**YELLOW CREEK TOWNSHIP  
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002**

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

**FINDING NUMBER 2003-001**

**Noncompliance Citation**

**Ohio Revised Code § 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 three thousand dollars, the fiscal officer issues a then and now certificate, but may authorize it to be paid without the affirmation of the Board of Trustees.

Incurring obligations prior to the fiscal officer's certification of the availability of funds to pay such obligations could result in the Township spending more than what was appropriated. We noted that in 2003 and 2002 were a total of 16 out of the 30 items and 6 out of 30 items tested in which the certificates were dated subsequent to the obligation date. Neither of the exceptions was utilized for these transactions.

We recommend that the Township implement policies and procedures to ensure that purchase orders including the fiscal officer's certification are issued prior to the obligation of monies.

**YELLOW CREEK TOWNSHIP  
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR END DECEMBER 31, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2001-41215-001	Ohio Revised Code 5705.41(B) budgetary expenditures exceeded appropriations	Partially Corrected	This is included in the Management Letter.
2001-41215-002	Ohio Revised Code 5705.41(D), failure to certify funds.	Not Corrected	This finding will be reported in the current audit as Finding #2003-001.



**Auditor of State  
Betty Montgomery**

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Facsimile 614-466-4490

**YELLOW CREEK 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  
JULY 13, 2004**