



**Auditor of State  
Betty Montgomery**



**CENTER TOWNSHIP  
COLUMBIANA COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Center Township  
Columbiana County  
P.O. Box 141  
Lisbon, Ohio 44432

To the Board of Trustees:

We have audited the accompanying financial statements of Center Township, Columbiana County (the Township) as of and for the years ended December 31, 2002 and 2001. 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 of the Township as of December 31, 2002 and 2001, 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 26, 2003 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

March 26, 2003

**CENTER TOWNSHIP  
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$26,207	\$244,715		\$270,922
Intergovernmental	121,157	95,351		216,508
Special Assessments	0	630		630
Fines, Forfeitures, and Penalties	19	0		19
Earnings on Investments	1,633	634	\$5	2,272
Other Revenue	13,034	184		13,218
Total Cash Receipts	<u>162,050</u>	<u>341,514</u>	<u>5</u>	<u>503,569</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	44,338	18,169		62,507
Public Safety	0	200		200
Public Works	46,951	248,262		295,213
Health	6,196			6,196
Debt Service:				
Interest and Fiscal Charges			7	7
Capital Outlay	9,702	25,608		35,310
Total Cash Disbursements	<u>107,187</u>	<u>292,239</u>	<u>7</u>	<u>399,433</u>
Total Receipts Over/(Under) Disbursements	<u>54,863</u>	<u>49,275</u>	<u>(2)</u>	<u>104,136</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Advances-In	5,000	10,000		15,000
Advances-Out	(10,000)	(5,000)		(15,000)
Other Sources			2,000	2,000
Total Other Financing Receipts/(Disbursements)	<u>(5,000)</u>	<u>5,000</u>	<u>2,000</u>	<u>2,000</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	49,863	54,275	1,998	106,136
Fund Cash Balances, January 1	<u>33,416</u>	<u>173,453</u>		<u>206,869</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$83,279</b></u>	<u><b>\$227,728</b></u>	<u><b>\$1,998</b></u>	<u><b>\$313,005</b></u>

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

**CENTER TOWNSHIP  
COLUMBIANA COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$24,413	\$227,409	\$251,822
Intergovernmental	35,775	89,503	125,278
Special Assessments	0	635	635
Fines, Forfeitures, and Penalties	60	0	60
Earnings on Investments	3,616	2,280	5,896
Other Revenue	3,841	7,209	11,050
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	67,705	327,036	394,741
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
General Government	46,576	18,107	64,683
Public Safety	0	464	464
Public Works	19,160	301,603	320,763
Health	5,715	0	5,715
Capital Outlay	5,016	18,535	23,551
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	76,467	338,709	415,176
	<hr/>	<hr/>	<hr/>
Total Receipts (Under) Disbursements	(8,762)	(11,673)	(20,435)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	42,178	185,126	227,304
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b>\$33,416</b>	<b>\$173,453</b>	<b>\$206,869</b>
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*The notes to the financial statements are an integral part of this statement.*

**CENTER TOWNSHIP  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Center 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. The Township contracts with Hanover Township 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 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 has an interest bearing sweep checking account that invests in overnight repurchase agreements. Interest earned is recognized and recorded when received.

**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.

*Road Fund* - This fund receives property tax money for maintaining and repairing Township roads.

**CENTER TOWNSHIP  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

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

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:

*Landfill Trust Fund* – This fund is for the accumulation of resources to fund the closure of the Township's Landfill.

**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.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2002 and 2001 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.

**CENTER TOWNSHIP  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(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:

	2002	2001
Demand deposits	(\$3,459)	(\$498)
Repurchase agreement	316,464	207,367
Total deposits and investments	\$313,005	\$206,869

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Township.

**Investments:** The Township's agent holds securities collateralizing repurchase agreements. The securities are not in the Township's name.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

**2002 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$67,989	\$162,050	\$94,061
Special Revenue	281,847	341,514	59,667
Fiduciary	0	2,005	2,005
Total	\$349,836	\$505,569	\$155,733

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

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$107,187	(\$107,187)
Special Revenue	0	292,239	(292,239)
Fiduciary	0	7	(7)
Total	\$0	\$399,433	(\$399,433)

**2001 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$92,289	\$67,705	(\$24,584)
Special Revenue	66,034	327,036	261,002
Total	\$158,323	\$394,741	\$236,418

**CENTER TOWNSHIP  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$76,467	(\$76,467)
Special Revenue	0	338,709	(338,709)
Total	\$0	\$415,176	(\$415,176)

Contrary to Ohio law, the Township did not pass an annual appropriation measure for either 2002 or 2001. Due to the fore mentioned noncompliance with Ohio law, budgetary expenditures exceeded appropriation authority in all of the Township's funds for the years ended December 31, 2002 and 2001. Also, contrary to Ohio law the Township did not certify any funds prior to an obligation being entered into.

**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 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 2002 and 2001, members of PERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Township has paid all contributions required through December 31, 2002.

**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.

**CENTER TOWNSHIP  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**7. LANDFILL**

Center Township purchased land in December 1980 which included a landfill. This landfill was closed on December 31, 1988. This action was taken upon advice of the Columbiana County Health Department and because of new and more restrictive landfill regulations taking effect on January 1, 1989.

State and Federal laws and regulations require that the Township perform certain maintenance and monitoring functions at the closed landfill site for thirty years after closure. The Township's estimated liability for the landfill is \$500,000 for closure costs and \$950,000 for postclosure costs, for a total estimated liability of \$1,450,000. The estimated cost of landfill closure and post closure care expenses is based on the amount that would be paid if all materials and services required to monitor and maintain the closed landfill were acquired as of December 31, 2000. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

With the Ohio Environmental Protection Agency (OEPA), the Township established a trust fund in the name of the Township and the OEPA. The OEPA will contribute funds collected through various fines collected from violations within the state. Any monies will be used to help offset the closure and postclosure costs associated with the landfill. There is no estimate of the collections the Trust Fund will receive.

The Township is also in negotiations with the Village of Lisbon for part of the closure and postclosure costs. As of the date of this report, Lisbon has not offered to share this liability. It is uncertain how this liability will affect future financial Township activities.

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**Auditor of State  
Betty Montgomery**

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

Center Township  
Columbiana County  
P.O. Box 141  
Lisbon, Ohio 44432

To the Board of Trustees:

We have audited the accompanying financial statements of Center Township, Columbiana County (the Township) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated March 26, 2003. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-41215-001 through 2002-41215-003. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated March 26, 2003.

**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 26, 2003.

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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

March 26, 2003

**CENTER TOWNSHIP  
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2002-41215-001**

Noncompliance Citation

**Ohio Revised Code Section 5705.38**, states that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year-end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1.

Though appropriations were posted to the accounting records by the Township Clerk, the Center Township Board of Trustees did not prepare or pass an appropriation measure for Fiscal Years 2002 or 2001. The Board of Trustees is the taxing authority of the Township.

We recommend that Township officials implement policies and procedures to prepare and pass appropriation measures as prescribed by Ohio Revised Code Section 5705.38.

**FINDING NUMBER 2002-41215-002**

Noncompliance Citation

**Ohio Revised Code Section 5705.41(B)**, states in part that no subdivision or taxing unit is to expend money unless it has been appropriated.

As noted in Finding #200-41215-001, Center Township failed to pass an appropriation resolution for 2002 and 2001. Therefore all expenditures made by the Township for 2002 and 2001 were expended without being appropriated.

We recommend that Township officials implement policies to provide assurance that expenditures are properly appropriated as prescribed by Section 5705.41(B).

**FINDING NUMBER 2002-41215-003**

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.

**CENTER TOWNSHIP  
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

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 Board."

For 2002 and 2001, the Clerk did not sign the Purchase Orders or Blanket Certificates. Therefore, 100% of expenditures tested in 2002 and 100% of expenditures tested in 2001 were committed prior to the certification of available funds by the Clerk. Neither exception listed above was followed, contrary to Ohio Revised Code 5705.41 (D). This condition does not provide adequate accountability over the Township's disbursements. Disbursements may be incurred which either the Board or management has 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 Township 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.

**CENTER TOWNSHIP  
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain:</b></i>
#2000-41215-001	ORC 5705.34 – failure to authorize necessary tax levies and certify them to the county auditor	Yes	
#2000-41215-002	ORC 5705.38 – failure to pass appropriation measure for FY 2000	No	The Township did not pass appropriation measures for either FY 2002 or 2001, see finding #2002-41215-001
#2000-41215-003	ORC 5705.41(B) – due to finding #2000-41215-002, monies were expended without being appropriated	No	Due to finding #2002-41215-001, the Township expended monies without being appropriated
#2000-41215-004	ORC 5705.41(D) – failure to certify funds	No	Clerk did not certify purchase orders in either FY 2002 or 2001
#2000-41215-005	Minutes did not contain documentation of approvals for various budgetary requirements or contractual obligations	Yes	





**Auditor of State  
Betty Montgomery**

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**CENTER 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 3, 2003**