



**Auditor of State
Betty Montgomery**

HUBBARD TOWNSHIP
TRUMBULL COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Hubbard Township
Trumbull County
2600 Elmwood Dr. Ext.
Hubbard, OH 44425

To the Board of Trustees:

We have audited the accompanying financial statements of Hubbard Township (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 and reserves for encumbrances 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 June 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

June 26, 2003

**HUBBARD TOWNSHIP
TRUMBULL COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Cash Receipts:			
Local Taxes	\$35,629	\$870,248	\$905,877
Intergovernmental	286,384	259,339	545,723
Licenses, Permits, and Fees	15,591		15,591
Fines, Forfeitures, and Penalties	12,176	1,167	13,343
Earnings on Investments	11,841	3,317	15,158
Other Revenue	<u>33,323</u>	<u>15,967</u>	<u>49,290</u>
Total Cash Receipts	<u>394,944</u>	<u>1,150,038</u>	<u>1,544,982</u>
Cash Disbursements:			
Current:			
General Government	192,916		192,916
Public Safety		747,953	747,953
Public Works		340,455	340,455
Health	13,993		13,993
Conservation - Recreation	1,983		1,983
Debt Service:			
Redemption of Principal		9,807	9,807
Interest and Fiscal Charges		<u>3,223</u>	<u>3,223</u>
Total Cash Disbursements	<u>208,892</u>	<u>1,101,438</u>	<u>1,310,330</u>
Total Receipts Over/(Under) Disbursements	<u>186,052</u>	<u>48,600</u>	<u>234,652</u>
Other Financing Receipts and (Disbursements):			
Transfers-In		2,500	2,500
Transfers-Out	(2,500)		(2,500)
Other Uses	<u>(1,485)</u>		<u>(1,485)</u>
Total Other Financing Receipts/(Disbursements)	<u>(3,985)</u>	<u>2,500</u>	<u>(1,485)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	182,067	51,100	233,167
Fund Cash Balances, January 1	<u>130,491</u>	<u>409,051</u>	<u>539,542</u>
Fund Cash Balances, December 31	<u>\$312,558</u>	<u>\$460,151</u>	<u>\$772,709</u>
Reserve for Encumbrances, December 31	<u>\$1,938</u>	<u>\$70,111</u>	<u>\$72,049</u>

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

**HUBBARD TOWNSHIP
TRUMBULL 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>	
Cash Receipts:			
Local Taxes	\$37,849	\$797,212	\$835,061
Intergovernmental	183,888	247,854	431,742
Licenses, Permits, and Fees	10,116		10,116
Fines, Forfeitures, and Penalties	12,976	2,078	15,054
Earnings on Investments	16,037	3,856	19,893
Other Revenue	46,141	14,140	60,281
	<u>307,007</u>	<u>1,065,140</u>	<u>1,372,147</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	250,910		250,910
Public Safety		775,883	775,883
Public Works		363,340	363,340
Health	16,461		16,461
Conservation - Recreation	1,723		1,723
Debt Service:			
Redemption of Principal		9,807	9,807
Interest and Fiscal Charges		3,223	3,223
Capital Outlay	995		995
	<u>270,089</u>	<u>1,152,253</u>	<u>1,422,342</u>
Total Cash Disbursements			
Total Receipts Over/(Under) Disbursements	<u>36,918</u>	<u>(87,113)</u>	<u>(50,195)</u>
Other Financing Receipts and (Disbursements):			
Transfers-In		7,000	7,000
Transfers-Out	(7,000)		(7,000)
Other Uses	(60,027)		(60,027)
	<u>(67,027)</u>	<u>7,000</u>	<u>(60,027)</u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(30,109)	(80,113)	(110,222)
Fund Cash Balances, January 1	160,600	489,164	649,764
Fund Cash Balances, December 31	<u>\$130,491</u>	<u>\$409,051</u>	<u>\$539,542</u>
Reserve for Encumbrances, December 31	<u>\$786</u>	<u>\$3,011</u>	<u>\$3,797</u>

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

**HUBBARD TOWNSHIP
TRUMBULL COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Hubbard Township, Trumbull County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance and police safety services. The Township contracts with the City of Hubbard 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.

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

**HUBBARD TOWNSHIP
TRUMBULL COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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.

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:

**HUBBARD TOWNSHIP
TRUMBULL COUNTY**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	2002	2001
Demand deposits	(\$14,855)	(\$3,541)
Repurchase agreement	787,564	543,083
Total deposits and investments	\$772,709	\$539,542

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	\$396,392	\$394,944	(\$1,448)
Special Revenue	1,616,604	1,152,538	(464,066)
Total	\$2,012,996	\$1,547,482	(\$465,514)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$396,392	\$214,815	\$181,577
Special Revenue	1,616,604	1,171,549	445,055
Total	\$2,012,996	\$1,386,364	\$626,632

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$472,552	\$307,007	(\$165,545)
Special Revenue	1,533,325	1,072,140	(461,185)
Total	\$2,005,877	\$1,379,147	(\$626,730)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$472,552	\$337,902	\$134,650
Special Revenue	1,533,325	1,155,264	378,061
Total	\$2,005,877	\$1,493,166	\$512,711

**HUBBARD TOWNSHIP
TRUMBULL COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio law, we noted that 52% of tested disbursements were entered into prior to the certification of available funds by the Township Clerk. Also, contrary to Ohio law, we noted an unrecorded encumbrances of \$2,547.

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. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
2000 International Truck/Snow Plow	\$34,946	5.81%

The note described above relates to the purchase of a snow plow for \$55,174 in 2000. The annual payment is through National City Bank for a period of five years. The notes are collateralized solely by the Township's taxing authority.

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

	2000 International Truck/Snow Plow
Year ending December 31:	
2003	\$13,030
2004	13,030
2005	13,030
Total	\$39,090

**HUBBARD TOWNSHIP
TRUMBULL COUNTY**

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

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. PERS members 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.

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.

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**Auditor of State
Betty Montgomery**

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

Hubbard Township
Trumbull County
2600 Elmwood Dr. Ext.
Hubbard, OH 44425

To the Board of Trustees:

We have audited the accompanying financial statements of Hubbard Township (the Township) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated June 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 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 2002-001.

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 another 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 June 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

June 26, 2003

**HUBBARD TOWNSHIP
TRUMBULL COUNTY**

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

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

FINDING NUMBER 2002-001

Noncompliance Citation

Ohio Rev. 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 one thousand dollars the fiscal officer issues a certificate, but may authorize it to be paid without the affirmation of the Trustees.

During testing we noted 31 out of 60 instances in which the commitment was entered into prior to the certification of available funds by the Township Clerk. In addition, while reviewing January 2003 payments for unrecorded liabilities, we noted on unrecorded liability in the amount of \$2,547.

This condition does not provide adequate accountability over the Township's disbursements. Disbursements may be incurred which either the Trustees or management has not authorized or which the Township cannot afford.

We recommend that the Township implement the use of purchase orders and that all departments be advised that a purchase order with the certificate of the Clerk should be obtained prior to making an order involving the expenditure of money. Any request for payment from a vendor without a purchase order should be reviewed by management and follow the exceptions outlined in Ohio Rev. Code 5705.41(D).

**HUBBARD TOWNSHIP
TRUMBULL 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>Explain:</i>
2000-41178-01	ORC 5705.38 – failure to pass appropriation measure in 1999	Yes	
2000-41178-002	ORC 5705.41(B) – due to finding #001, expenditures were greater than appropriations in 1999	Yes	
2000-41178-003	ORC 5705.41(D) – failure to properly encumber in 1999 and 2000	No	Partially corrected. Will be repeated in current audit.



**Auditor of State
Betty Montgomery**

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HUBBARD TOWNSHIP

TRUMBULL COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 22, 2003**