



Dave Yost • Auditor of State



**CENTER TOWNSHIP  
NOBLE COUNTY**

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# Dave Yost • Auditor of State

Center Township  
Noble County  
22214 Fredericksdale Road  
Sarahsville, Ohio 43779

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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**Dave Yost**  
Auditor of State

June 21, 2011

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Center Township  
Noble County  
22214 Fredericksdale Road  
Sarahsville, Ohio 43779

To the Board of Trustees:

We have audited the accompanying financial statements of Center Township, Noble County, Ohio (the Township), as of and for the years ended December 31, 2010 and 2009. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 processes its financial transactions with 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 audit 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 services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity-wide statements and also presenting the Township's larger (i.e., major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the fifth following paragraph.

743 East State Street, Athens Mall Suite B, Athens, Ohio 45701-2157  
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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2010 and 2009, or its changes in financial position for the years then ended.

During a prior audit for the period January 1, 2005 to December 31, 2006, the Board of Trustees passed a resolution to advance \$6,650 from the Road and Bridge Fund to the General Fund. Section 5705.10(H) of the Ohio Rev. Code requires that money paid into a fund must be used only for the purposes for which such fund has been established. The Township declined to make this adjustment.

During a prior audit for the period January 1, 2007 to December 31, 2008, the Township improperly posted rollback and homestead receipts in the amount of \$1,328 to the General Fund that should have been posted to the Road and Bridge Fund, Special Revenue Fund type. We also found the Board of Trustees approved a transfer of \$20,456 from the FEMA Fund to the General Fund to reimburse for FEMA expenditures made from the General Fund. However, the FEMA expenditures were originally paid from the Gasoline Tax Fund instead of the General Fund. Further, we found the Trustees' salaries were not paid in accordance with the documentation presented for audit. The amount that should have been paid out of the General Fund instead of the Gasoline Tax Fund was \$1,271 for 2008. The Township declined to make this adjustment.

During 2009, the Trustees' salaries were not allocated in accordance with time and effort documentation. The amount that should have been paid out of the General Fund instead of the Gasoline Tax Fund was \$1,444. The Township declined to make this adjustment. See Note 9, Notes to the Financial Statements, for further information.

Also, in our opinion, because of the effects of the matters described in the preceding three paragraphs, the financial statements referred to above do not present fairly, in all material respects, the combined fund cash balances of Center Township, Noble County, Ohio, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As discussed in Note 9, the Township is experiencing financial difficulties. Management has declined to post the aforementioned adjustments due to the General Fund's cash balance not being sufficient to support these adjustments. Management's plan in regards to these financial difficulties is described in Note 9 to the financial statements. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.



In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2011, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State

June 21, 2011

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**CENTER TOWNSHIP  
NOBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$6,826	\$34,161	\$40,987
Intergovernmental	32,242	103,365	135,607
Earnings on Investments	201	150	351
Miscellaneous	30	815	845
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	39,299	138,491	177,790
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
General Government	27,774		27,774
Public Safety		932	932
Public Works		117,254	117,254
Health		5,598	5,598
Debt Service:			
Redemption of Principal		1,992	1,992
Interest and Other Fiscal Charges		176	176
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	27,774	125,952	153,726
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	11,525	12,539	24,064
	<hr/>	<hr/>	<hr/>
<b>Other Financing Receipts and (Disbursements):</b>			
Other Financing Sources		250	250
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	0	250	250
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	11,525	12,789	24,314
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	129	84,295	84,424
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>\$11,654</u></b>	<b><u>\$97,084</u></b>	<b><u>\$108,738</u></b>

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

**CENTER TOWNSHIP  
NOBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$6,415	\$32,123		\$38,538
Intergovernmental	5,823	101,898		107,721
Earnings on Investments	1,525	878		2,403
Miscellaneous	3,013	2,423		5,436
	<u>16,776</u>	<u>137,322</u>	<u>\$0</u>	<u>154,098</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	26,155			26,155
Public Safety		932		932
Public Works		136,518		136,518
Health		9,945		9,945
Debt Service:				
Redemption of Principal		1,868	46	1,914
Interest and Other Fiscal Charges		254		254
	<u>26,155</u>	<u>149,517</u>	<u>46</u>	<u>175,718</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(9,379)	(12,195)	(46)	(21,620)
Fund Cash Balances, January 1 (Restated - Note 2)	<u>9,508</u>	<u>96,490</u>	<u>46</u>	<u>106,044</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$129</u></b>	<b><u>\$84,295</u></b>	<b><u>\$0</u></b>	<b><u>\$84,424</u></b>

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

**CENTER TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Center Township, Noble County (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection and emergency medical services. The Township contracts with the Belle Valley Volunteer Fire Department and Caldwell Volunteer Fire Company to provide fire protection. The Township also contracts with the Summerfield Volunteer Fire Department to provide 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. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

**C. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

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

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

**CENTER TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**C. Fund Accounting (Continued)**

**3. Debt Service Funds**

These funds account for resources the Township accumulates to pay bond and note debt. The Township had the following Debt Service Fund:

Miscellaneous Debt Service Fund - This fund was established to retire notes issued for the purpose of road equipment.

**D. 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 object 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. Appropriations lapse at year end.

**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 2010 and 2009 budgetary activity appears in Note 4.

**E. Property, Plant, and Equipment**

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**CENTER TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**2. Restatement of Fund Balances**

The Township recorded a fund balance adjustment due to a finding for adjustment in the 2008-2007 audit report that was not recorded to the Township's books until the current audit period.

<u>Governmental Funds:</u>	<u>Fund Balances at December 31, 2008</u>	<u>Restatement Amount</u>	<u>Fund Balances at January 1, 2009</u>
General	\$10,664	(\$1,156)	\$9,508
Special Revenue	95,334	1,156	96,490

**3. Equity in Pooled Deposits**

The Township maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31 was as follows:

	<u>2010</u>	<u>2009</u>
Demand deposits	<u>\$108,738</u>	<u>\$84,424</u>

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

**4. Budgetary Activity**

Budgetary activity for the years ending 2010 and 2009 follows:

**2010 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$36,328	\$39,299	\$2,971
Special Revenue	130,860	138,741	7,881
Total	<u>\$167,188</u>	<u>\$178,040</u>	<u>\$10,852</u>

**2010 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$13,175	\$27,774	(\$14,599)
Special Revenue	213,999	125,952	88,047
Total	<u>\$227,174</u>	<u>\$153,726</u>	<u>\$73,448</u>

**2009 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$14,773	\$16,776	\$2,003
Special Revenue	135,795	137,322	1,527
Total	<u>\$150,568</u>	<u>\$154,098</u>	<u>\$3,530</u>

**CENTER TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**4. Budgetary Activity (Continued)**

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$27,555	\$26,155	\$1,400
Special Revenue	226,049	149,517	76,532
Debt Service	46	46	0
Total	\$253,650	\$175,718	\$77,932

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$12,675 for the year ended December 31, 2010.

**5. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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.

**6. Debt**

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
Equipment Note	\$3,305	4.00%

The Township issued an equipment note in 2008 for the purpose of acquiring a 1989 Case 580K Backhoe for township road purposes. The Township's taxing authority collateralized the note.

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

Year ending December 31:	Tractor Loan
2011	\$2,168
2012	1,248
Total	\$3,416



**CENTER TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**7. Retirement System**

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2010.

**8. Risk Management**

The Township is exposed to various risks of property and casualty losses, and injuries to employees. The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2009, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008 (the latest information available):

	<u>2009</u>	<u>2008</u>
Assets	\$38,982,088	\$40,737,740
Liabilities	<u>(12,880,766)</u>	<u>(12,981,818)</u>
Net Assets	<u>\$26,101,322</u>	<u>\$27,755,922</u>

**CENTER TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**8. Risk Management (Continued)**

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$12.0 and \$12.1 million of estimated incurred claims payable. The assets above also include approximately \$11.5 and \$10.9 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$5,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<b>Contributions to OTARMA</b>	
2010	\$2,381
2009	\$1,959
2008	\$2,184

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**9. Financial Difficulties**

At December 31, 2009, the following funds had adjustments which the Township declined to make in the following amounts:

Fund	December 31, 2009 Balance	Adjustments Not Made	Effect on December 31, 2009 Balance
General	\$ 129	\$ (31,149)	\$ (31,020)
Special Revenue	84,295	31,149	115,444

The Township has no formal plans for increasing the revenue stream of the General Fund but is monitoring all expenditures of the General Fund.



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Center Township  
Noble County  
22214 Fredericksdale Road  
Sarahsville, Ohio 43779

To the Board of Trustees:

We have audited the financial statements of Center Township, Noble County, Ohio (the Township), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated June 21, 2011 wherein we expressed an adverse opinion on the 2010 and 2009 regulatory financial statements due to certain misstatements of receipts and expenditures in the financial statements. We also noted the Township is experiencing financial difficulties and followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township processes its financial transactions with 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 audit 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 services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

743 East State Street, Athens Mall Suite B, Athens, Ohio 45701-2157  
Phone: 740-594-3300 or 800-441-1389 Fax: 740-594-2110

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A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-002 through 2010-005 and 2010-008 described in the accompanying Schedule of Findings to be material weaknesses.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2010-001 through 2010-007.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 21, 2011.

We intend this report solely for the information and use of management, the Board of Trustees, and others within the Township. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

June 21, 2011

**CENTER TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2010-001**

**Finding for Recovery Repaid Under Audit**

Ohio Rev. Code Section 505.60(A) states the board of township trustees of any township may procure and pay all or any part of the cost of insurance policies that may provide benefits for hospitalization, surgical care, major medical care, disability, dental care, eye care, medical care, hearing aids, prescription drugs, or sickness and accident insurance, or a combination of any of the foregoing types of insurance for township officers and employees. The board of township trustees of any township may negotiate and contract for the purchase of a policy of long-term care insurance for township officers and employees pursuant to Section 124.841 of the Revised Code.

If the board procures any insurance policies under this Section, the board shall provide uniform coverage under these policies for township officers and full-time township employees and their immediate dependents, and may provide coverage under these policies for part-time township employees and their immediate dependents, from the funds or budgets from which the officers or employees are compensated for services, such policies to be issued by an insurance company duly authorized to do business in this state.

The Township provided and paid for medical insurance for Melvin D. Tucker, Township Trustee. On August 27, 2009, the Board of Trustees adopted a health insurance resolution where the Township would only reimburse up to a maximum of \$250 per month for medical insurance. This applied to Trustee Tucker who is on the Township's insurance plan. If the Township paid the entire amount of the insurance premium for its policy, then Trustee Tucker would have the difference between the premium amount and the maximum amount of \$250 deducted from his paycheck each month. For the months of July and December 2010 the Township withheld \$296 from Trustee Tucker's paycheck for his portion of the insurance premium. Pursuant to the board resolution, \$440 should have been withheld from his paycheck. Thus the Township failed to withhold a total of \$144 from Trustee Tucker's paycheck for his portion of the insurance premium. As a result, an overpayment of \$144 occurred.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Melvin D. Tucker, Township Trustee, in the amount of \$144, and in favor of Center Township General Fund, in the amount of \$144.

On April 16, 2011, Melvin D. Tucker issued a check to Center Township for \$143.92 as repayment. This finding for recovery is considered repaid under audit.

**CENTER TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2010-002**

**Finding for Adjustment/Material Weakness/Noncompliance Citation**

Ohio Rev. Code Section 5705.10(H) states money that is paid into a fund must be used only for the purposes for which such fund has been established.

Auditor of State Bulletin 97-003 provides that inter-fund cash advances are subject to the following requirements:

- Any advance must be clearly labeled as such, and must be distinguished from a transfer. Transfers are intended to reallocate money permanently from one fund to another and may be made only as authorized in Sections 5705.14 to 5705.16 of the Revised Code. Advances, on the other hand, *temporarily* reallocate cash from one fund to another and involve an expectation of repayment;
- In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established;
- The reimbursement from the debtor fund to the creditor fund must not violate any restrictions on use of the money to be used to make the reimbursement; and
- Advances must be approved by a formal resolution of the taxing authority of the subdivision which must include:
  - A specific statement that the transaction is an advance of cash, and
  - An indication of the money (fund) from which it is expected that repayment will be made.

During a prior audit of the period from January 1, 2005 to December 31, 2006, the Trustees adopted a resolution to advance \$6,650 from the Road and Bridge Fund to the General Fund without statutory authority to advance the money. The Fiscal Officer posted the advance to the accounting records and the amount has not been repaid as of December 31, 2010.

A finding for adjustment is hereby issued against the Center Township General Fund, in the amount of \$6,650 and in favor of the Center Township Road and Bridge Fund, Special Revenue Fund type, in the amount of \$6,650.

The Fiscal Officer has not posted this adjustment to the Township records and therefore, this adjustment is not reflected in the accompanying financial statements. This finding for adjustment was carried forward from the prior audits of the 2005 and 2006 financial statements.

**CENTER TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2010-003**

**Finding for Adjustment/Material Weakness/Noncompliance Citation**

Ohio Rev. Code Section 5705.10(D) requires all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

During a prior audit of the period from January 1, 2007 to December 31, 2008, the Fiscal Officer incorrectly posted \$1,328 of homestead and rollback receipts to the General Fund instead of the Road and Bridge Fund.

A finding for adjustment is hereby issued against the Center Township General Fund, in the amount of \$1,328 and in favor of the Center Township Road and Bridge Fund, Special Revenue Fund type, in the amount of \$1,328. The Fiscal Officer has not posted this adjustment to the Township records and therefore, this adjustment is not reflected in the accompanying financial statements. This finding for adjustment was carried forward from the prior audits of the 2007 and 2008 financial statements.

**FINDING NUMBER 2010-004**

**Finding for Adjustment/Material Weakness/Noncompliance Citation**

GASB Cod. 1800.102 defines "Interfund Reimbursements" as "repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them." However, under the terms of Ohio Rev. Code Section 5705.10, such reimbursements would be illegal transfers (subject to possible Finding for Adjustment) if the fund initially paying violated restrictions on its resource use.

Also, GASB states that "reimbursements should not be displayed in the financial statements." This means that subdivisions should not use a reimbursement caption in a statement of activities / changes in fund balance, etc. It is generally preferable to advance money per Auditor of State (AOS) Bulletin 97-03; however, advances may not always be possible. FEMA grants often require reimbursements, so they provide a useful reimbursement example subdivisions sometimes encounter. AOS Bulletin 98-013 describes other acceptable alternatives to treating these transactions as a reimbursement on the face of the financial statements. While this Bulletin is specific to FEMA grants, subdivisions can generally apply the guidance therein to any reimbursement transaction.

Auditor of State Bulletin 98-013 states when a portion or all of the work has been completed and paid for at the time the FEMA money is received, an entity must:

- Place all funds into a special FEMA fund;
- For work completed and paid for, reimburse the fund(s) used to pay for the goods and/or services (before the FEMA money was received). One way to repay the fund is to reduce the expenditure in the fund making the original payment and to record the expenditure in the FEMA Fund. A second method is to have advanced money to the FEMA Fund in anticipation of the receipt of the grant, then repay the advance once the FEMA money is received. A third approach is to transfer the FEMA money from the FEMA Fund to the fund that made the original payments.

**CENTER TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2010-004 (Continued)**

**Finding for Adjustment/Material Weakness/Noncompliance Citation - GASB Cod. 1800.102 (Continued)**

During a prior audit of the period from January 1, 2007 to December 31, 2008, we noted the Board of Trustees approved a transfer of \$20,456 from the FEMA Fund to the General Fund. Per review of the Township's appropriation ledger, the Gasoline Tax Fund paid for the FEMA expenditures; therefore, the FEMA monies should have been transferred to the Gasoline Tax Fund and not the General Fund.

A finding for adjustment is hereby issued against the Center Township General Fund, in the amount of \$20,456 and in favor of the Center Township Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$20,456.

The Fiscal Officer has not posted this adjustment to the Township records and therefore, this adjustment is not reflected in the accompanying financial statements. This finding for adjustment was carried forward from the prior audits of the 2007 and 2008 financial statements.

**FINDING NUMBER 2010-005**

**Finding for Adjustment/Material Weakness/Noncompliance Citation**

Ohio Rev. Code Section 505.24(C) sets forth the method by which township trustees' compensation should be allocated. This Section is amplified by Ohio Attorney General (OAG) Opinion No. 2004-036. This Section requires that compensation of a township trustee must be paid from the Township General Fund or from such other township funds, in such proportions based on the amount of time spent on matters related to the services rendered. In addition, OAG Opinion No. 2004-036 indicates trustees should establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matters related to the services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service(s) performed, in a manner similar to trustees paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from these other funds. The requirements of Ohio Rev. Code Section 505.24(C) were noted in the Management Letter of Center Township for the years ending December 31, 2006 and 2005, which was released on July 3, 2007.

During a prior audit of the period from January 1, 2007 to December 31, 2008, the Trustees' salaries were not always made in accordance with the documentation prepared for how they spent their time. The amount that should have been paid out of the General Fund instead of the Gasoline Tax Fund was \$1,271.

For the audit period January 1, 2009 to December 31, 2010, the Trustees' salaries were not always made in accordance with the documentation prepared for how they spent their time. The amount that should have been paid out of the General Fund instead of the Gasoline Tax fund was \$1,444.



**CENTER TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

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

**FINDING NUMBER 2010-005 (Continued)**

**Finding for Adjustment/Material Weakness/Noncompliance Citation - Ohio Rev. Code Section 505.24(C) (Continued)**

A finding for adjustment is hereby issued against the Center Township General Fund, in the amount of \$2,715 and in favor of the Center Township Gasoline Tax Fund, Special Revenue fund type, in the amount of \$2,715.

A Finding for Adjustment was issued against Center Township General Fund in the amount of \$1,271 for the prior audit period of January 1, 2007 to December 31, 2008. The Fiscal Officer has not posted this adjustment to the Township records and therefore, this adjustment is not reflected in the accompanying financial statements. Thus, part of this finding for adjustment was carried forward from the prior audits of the 2007 and 2008 financial statements, resulting in a total Finding For Adjustment in the amount of \$2,175.

**FINDING NUMBER 2010-006**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated

We found that expenditures exceeded appropriations at December 31, 2010, in the following fund:

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General	\$ 13,175	\$ 25,850	\$ (12,675)

We found that expenditures exceeded appropriations at December 31, 2010, at the legal level of control as follows:

<u>Fund/Function/Object</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
1000-110-121	\$ 6,400	\$ 10,433	\$ (4,033)

The practice of allowing expenditures to exceed appropriations could result in negative fund balances for the Township.

We recommend the Board of Trustees and Fiscal Officer compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Board should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should deny requests for payment when appropriations are not available.

**CENTER TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2010-007**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificate - Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate - The Township may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to exceed beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Township did not certify the availability of funds prior to purchase commitment for 33% of the expenditures tested in 2009 and for 7% of the expenditures tested in 2010, and there was no evidence the Township followed the aforementioned exceptions. Without these certifications, the management of the Township lost budgetary control over expenditures and this condition could allow noncompliance with Ohio Revised Code section 5705.41(B) to occur.

**CENTER TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

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

**FINDING NUMBER 2010-007 (Continued)**

**Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Township certify purchases to which Section 5705.41(D) applies. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of Ohio Rev. Code Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**FINDING NUMBER 2010-008**

**Material Weakness**

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

At December 31, 2010, appropriations as approved by the Board of Trustees did not agree to the Township's ledgers for the following fund:

<u>Fund</u>	<u>Approved Appropriations</u>	<u>Appropriations per the UAN system</u>	<u>Variance</u>
General	\$13,175	\$37,613	(\$24,438)

At December 31, 2009, appropriations as approved by the Board of Trustees did not agree to the Township's ledgers for the following fund:

<u>Fund</u>	<u>Approved Appropriations</u>	<u>Appropriations per the UAN system</u>	<u>Variance</u>
General	\$27,555	\$30,518	(\$2,963)

At December 31, 2009, estimated resources as approved by the Board of Trustees did not agree to the Township's ledgers for the following funds:

**CENTER TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2010-008 (Continued)**

**Material Weakness (Continued)**

<u>Fund</u>	<u>Approved Estimated Resources</u>	<u>Estimated Resources per the UAN system</u>	<u>Variance</u>
General	\$14,773	\$7,713	\$7,060
Cemetery	7,285	7,485	(200)

Due to budgetary information being improperly entered into the system, the management of the Township was not able to effectively monitor and report its budgetary vs. actual status throughout the year.

The budgeted receipts and appropriations stated in Note 4 Budgetary Activity have been adjusted to reflect the legislatively approved amounts.

We recommend the Fiscal Officer accurately post estimated receipts as approved by the Budget Commission and appropriations as approved by the Board of Trustees into the computer system. This procedure will help ensure more useful comparisons of budget vs. actual activity, as well as provide management with an accurate monitoring tool throughout the year.

**Officials' Response:**

No responses were received from management.

**CENTER TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009**

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>
2008-001	Finding for Adjustment was issued in the amount of \$6,650 for Ohio Rev. Code Section 5705.10(H) for an advance to the General Fund from the Road and Bridge Fund without statutory authorization.	No	Not Corrected. Reissued in the report as Finding Number 2010-002.
2008-002	Finding for Adjustment was issued in the amount of \$20,456 for Auditor of State Bulletin 98-013 for repayment of FEMA expenditures paid into the General Fund instead of the Gasoline Tax Fund where expenditures were originally paid from.	No	Not Corrected. Reissued in the report as Finding Number 2010-004.
2008-003	Finding for Adjustment was issued in the amounts of \$1,271 for 2008 and \$1,156 for 2007 for Ohio Rev. Code Section 505.24 for Trustees salaries were not paid from appropriate funds.	No	Partially corrected. 2008 portion still outstanding. 2007 paid back in 2011. Reissued 2008 amount in the report as Finding Number 2010-005.
2008-004	Finding for Adjustment was issued in the amount of \$1,328 for Ohio Rev. Code Section 5705.10(D) for Homestead and Rollback posted to General Fund instead of Road and Bridge Fund.	No	Not Corrected. Reissued in the report as Finding Number 2010-003.
2008-005	Ohio Rev. Code Section 5705.38(A) – Permanent Appropriations not passed until April 2008 with no Temporary Appropriations.	Yes	
2008-006	Ohio Rev. Code Section 5705.39 – Appropriations exceeded Estimated Resources in the General Fund.	Yes	
2008-007	Ohio Rev. Code Section 5705.41(B) – Expenditures exceeded appropriations in the General Fund and several line items at December 31, 2008.	No	Not Corrected. Reissued in the report as Finding 2010-006.
2008-008	Ohio Rev. Code Section 5705.41(D)(1) – Prior certification was not obtained for 90% of expenditures tested in 2008 and 97% of expenditures tested in 2007.	No	Not Corrected. Reissued in the report as Finding 2010-007.
2008-009	Mispostings of transactions.	Yes	
2008-010	Budgetary mispostings in two funds and several line items at December 31, 2008.	No	Not Corrected. Reissued in the report as Finding 2010-008.

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# Dave Yost • Auditor of State

**CENTER TOWNSHIP**

**NOBLE 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 14, 2011**