



**Auditor of State
Betty Montgomery**



Mary Taylor, CPA
Auditor of State

June 1, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

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MIDDLETON TOWNSHIP
COLUMBIANA COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Middleton Township
Columbiana County
P.O. Box 295
Negley, Ohio 44441-0295

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Middleton Township, Ohio (the Township) as of and for the year ended December 31, 2004 which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions 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(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Middleton Township, Ohio as of December 31, 2004, and the respective changes in cash financial position and the respective budgetary comparison for the General, Gasoline Tax, Road and Bridge, Road Levy, and Fire Levy Funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2004, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2006, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State

September 6, 2006

Middleton Township
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

This discussion and analysis of Middleton Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2004, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2004 are as follows:

Net assets of governmental activities decreased \$16,543, a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the General Fund, which realized the greatest burden of increased costs in 2004; however, cost increases affected most funds. This decrease was due to four (4) grants received in 2003, none in 2004. The four grants received in 2003 were a Community Development Block Grant for storm sewers in the amount of \$77,650, an Issue II Grant for road repairs in the amount \$90,351; a federal grant for guard rails in the amount of \$32,732 and a FEMA Grant for flood damage to roads in the amount of \$13,027.

The Township's general receipts are primarily property taxes and entitlements. These receipts represent respectively \$325,849 and 55% and \$229,665 and 39% of the total cash received for governmental activities during the year. Property tax receipts for 2004 changed very little compared to 2003 as development within the Township has slowed.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

Middleton Township
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2004, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Township's general receipts. The Township has no business type activity.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other non-financial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, the Township has one type of activity:

Governmental activities: Most of the Township's basic services are reported here, including fire protection, streets and cemeteries. State and federal grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are split into two categories: governmental and fiduciary.

Governmental Funds - Most of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, Gas Tax Fund, Road & Bridge Fund, Road '98 Levy Fund, and Fire Levy Fund.

Middleton Township
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the township-wide financial statements because the resources of these funds are not available to support the Township's programs.

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2004 compared to 2003 on a cash basis:

	Governmental Activities	
	2004	2003
Assets		
Cash and Cash Equivalents	\$73,411	\$89,956
Total Assets	\$73,411	\$89,956
Net Assets		
Restricted for:		
Debt Service	70	109
Capital Projects	3,467	1,290
Permanent Fund	5,360	5,270
Other Purposes	40,181	53,754
Unrestricted	24,333	29,533
Total Net Assets	\$73,411	\$89,956

As mentioned previously, net assets of governmental activities decreased \$16,545 or 18% percent during 2004. The primary reasons contributing to the decreases in cash balances are as follows:

- Unanticipated slow growth in local tax receipts and due to the slowing economy, growth has been reduced.
- In 2004, the Township did not receive any of the one-time grants received in 2003, namely the CDBG, Issue II or the federal guard rail grants.
- Health insurance premium costs increased 5.4%.

Table 2 reflects the changes in net assets in 2004. Since the Township did not prepare financial statements in this format for 2003, a comparative analysis of township-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

Middleton Township
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

(Table 2)
Changes in Net Assets

	Governmental Activities 2004
	2004
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$350
Operating Grants and Contributions	97,949
Capital Grants and Contributions	
Total Program Receipts	98,299
General Receipts:	
Property and Other Local Taxes	315,243
Other Taxes	10,606
Grants and Entitlements Not Restricted to Specific Programs	131,716
Sale of Capital Assets	2,177
Interest	236
Miscellaneous	28,665
Total General Receipts	488,643
Total Receipts	586,942
Disbursements:	
General Government	92,778
Public Safety	104,166
Public Works	346,822
Health	767
Capital Outlay	33,892
Principal Retirement	21,477
Interest and Fiscal Charges	3,583
Total Disbursements	603,485
Excess (Deficiency) Before Transfers	(16,543)
Increase (Decrease) in Net Assets	(16,543)
Net Assets, January 1, 2004	89,954
Net Assets, December 31, 2004	\$73,411

Program receipts represent only 17% of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 83% of the Township's total receipts, and of this amount, over 65% are local taxes. State and federal grants and entitlements make up the balance of the Township's general receipts (27%). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of administration and the road department, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs.

Middleton Township
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Public Safety expenses are the costs of fire protection; Public Works are the costs of maintaining the roads; Health Services are the services provided by the Columbiana County Health Department; and Debt Services are the payments made to retire outstanding debt of the Township.

Governmental Activities

If you look at the Statement of Activities on page 12, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public safety and public works, which account for 17% and 57% of all governmental disbursements, respectively. General government also represents a significant cost, about 15%. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost Of Services 2004	Net Cost of Services 2004
	2004	2004
General Government	\$92,778	\$92,778
Public Safety	104,166	104,166
Public Works	346,822	248,873
Health	767	417
Capital Outlay	33,892	33,892
Principal Retirement	21,477	21,477
Interest and Fiscal Charges	3,583	3,583
Total Expenses	\$603,485	\$505,186

The dependence upon property tax receipts is apparent as over 67% of governmental activities are supported through these general receipts.

The Township's Funds

Total governmental funds had receipts of \$586,942 and disbursements of \$603,485. The greatest change within governmental funds occurred within the Special Revenue Funds. The fund balance of the Special Revenue Funds decreased \$13,573 as the result of increased costs for salaries and benefits and not achieving anticipated growth in property tax receipts.

Special Revenue Funds disbursements were greater than receipts by \$13,401 indicating that the Special Revenue Funds are in a deficit spending situation. It was the recommendation of the finance committee and the administration that a reduction in disbursements was preferable to requesting additional funds from the taxpayers. Some of these reductions have already been implemented for 2005 including cuts in public works expenditures. These cuts will not eliminate the need for additional funds (or additional cuts) in the future if the growth in property taxes remains stagnant.

Middleton Township
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2004, the Township amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were higher than the original budgeted receipts due to unexpected Estate and Local Government tax receipts. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$139,839 while actual disbursements were \$127,645. The Township kept spending very close to budgeted amounts as demonstrated by the minor reported variances. At year end, the Township spent approximately 91% of the budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

The Township does not currently keep track of its capital assets and infrastructure.

Debt

At December 31, 2004, the Township's outstanding debt included a balance of \$4,873 on a mortgage with Sky Bank to pay for the purchase of a 2000 Backhoe; and a balance of \$44,034 on a mortgage with Sky Bank for the purchase of a 2004 International Truck. For further information regarding the Township's debt, refer to Note 11 (Debt) to the basic financial statements.

Current Issues

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. Our newly prepared financial forecast predicts a deficit for 2005; therefore, the finance committee and the administration implemented a strategy to delay the deficit. This plan became effective for 2005. We reviewed our sources of revenue and anticipated increased revenues for 2005 that will be generated as a result of tipping fees collected from a C&D landfill. We then reviewed the disbursement history of the Township. We have reduced planned road repairs and maintenance. All departments have been asked to reduce their spending for supplies by 10-20 percent.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Robert Chapman, Middleton Township Fiscal Officer, P.O. Box 295, Negley, Ohio 44441-0295.

Middleton Township, Columbiana County

Statement of Net Assets - Cash Basis

December 31, 2004

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$73,411</u>
<i>Total Assets</i>	<u><u>\$73,411</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$3,467
Debt Service	70
Permanent	5,360
Other Purposes	40,181
Unrestricted	<u>24,333</u>
<i>Total Net Assets</i>	<u><u>\$73,411</u></u>

See accompanying notes to the basic financial statements

Middleton Township, Columbiana County

Statement of Activities - Cash Basis

For the Year Ended December 31, 2004

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Total
Governmental Activities					
General Government	\$92,778	\$0	\$0	(\$92,778)	(\$92,778)
Public Safety	104,166	0	0	(104,166)	(104,166)
Public Works	346,822	0	97,949	(248,873)	(248,873)
Health	767	350	0	(417)	(417)
Capital Outlay	33,892	0	0	(33,892)	(33,892)
Debt Service	25,060	0	0	(25,060)	(25,060)
<i>Total Governmental Activities</i>	<u>603,485</u>	<u>350</u>	<u>97,949</u>	<u>(505,186)</u>	<u>(505,186)</u>
Total	<u>\$603,485</u>	<u>\$350</u>	<u>\$97,949</u>	<u>(505,186)</u>	<u>(505,186)</u>
General Receipts					
Property Taxes				315,243	315,243
Other Taxes				10,606	10,606
Grants and Entitlements not Restricted to Specific Programs				131,716	131,716
Sale of Capital Assets				2,177	2,177
Interest				236	236
Miscellaneous				28,665	28,665
<i>Total General Receipts</i>				<u>488,643</u>	<u>488,643</u>
Total General Receipts, Special Item, Transfers and Advances				<u>488,643</u>	<u>488,643</u>
Change in Net Assets				(16,543)	(16,543)
<i>Net Assets Beginning of Year</i>				<u>89,954</u>	<u>89,954</u>
<i>Net Assets End of Year</i>				<u>\$73,411</u>	<u>\$73,411</u>

See accompanying notes to the basic financial statements

Middleton Township, Columbiana County
Statements of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2004

	General	Gas Tax Fund	Road & Bridge Fund	Road '98 Special Levy Fund	Fire Special Levy Fun	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$24,333	\$48	\$12,508	\$335	\$16,814	\$19,373	\$73,411
<i>Total Assets</i>	<u>\$24,333</u>	<u>\$48</u>	<u>\$12,508</u>	<u>\$335</u>	<u>\$16,814</u>	<u>\$19,373</u>	<u>\$73,411</u>
Fund Balances							
Reserved:							
Reserved for Encumbrances	\$5,242						\$5,242
Unreserved:							
Undesignated (Deficit), Reported in:							
General Fund	19,091						19,091
Special Revenue Funds		48	12,508	335	16,814	10,476	40,181
Debt Service Fund						70	70
Capital Projects Funds						3,467	3,467
Permanent Fund						5,360	5,360
<i>Total Fund Balances</i>	<u>\$24,333</u>	<u>\$48</u>	<u>\$12,508</u>	<u>\$335</u>	<u>\$16,814</u>	<u>\$19,373</u>	<u>\$73,411</u>

See accompanying notes to the basic financial statements

Middleton Township, Columbiana County

Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances

Governmental Funds

For the Year Ended December 31, 2004

	General	Gasoline Tax Fund	Road & Bridge Fund	Road '98 Levy Fund	Fire Levy Fund	Other Governmental Funds	Total Governmental Funds
Receipts							
Property and Other Local Taxes	\$21,826		\$87,665	\$65,059	\$93,965	\$57,333	\$325,848
Intergovernmental	90,742	70,146	11,175	8,182	11,234	38,186	229,665
Interest	135	5				96	236
Other	4,328		22,167	696		1,823	29,014
<i>Total Receipts</i>	<u>117,031</u>	<u>70,151</u>	<u>121,007</u>	<u>73,937</u>	<u>105,199</u>	<u>97,438</u>	<u>584,763</u>
Disbursements							
Current:							
General Government	92,778						92,778
Public Safety					104,166		104,166
Public Works	8,849	70,336	110,974	73,689		82,974	346,822
Health	767						767
Capital Outlay	6,104	2,500	21,271	4,017			33,892
Debt Service:							
Principal Retirement						21,477	21,477
Interest and Fiscal Charges						3,583	3,583
<i>Total Disbursements</i>	<u>108,498</u>	<u>72,836</u>	<u>132,245</u>	<u>77,706</u>	<u>104,166</u>	<u>108,034</u>	<u>603,485</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>8,533</u>	<u>(2,685)</u>	<u>(11,238)</u>	<u>(3,769)</u>	<u>1,033</u>	<u>(10,596)</u>	<u>(18,722)</u>
Other Financing Sources (Uses)							
Sale of Capital Assets						2,177	2,177
Transfers In	172		4,310	2,042		13,905	20,429
Transfers Out	(13,905)					(6,524)	(20,429)
<i>Total Other Financing Sources (Uses)</i>	<u>(13,733)</u>	<u>0</u>	<u>4,310</u>	<u>2,042</u>	<u>0</u>	<u>9,558</u>	<u>2,177</u>
Special Item							
<i>Net Change in Fund Balances</i>	(5,200)	(2,685)	(6,928)	(1,727)	1,033	(1,038)	(16,545)
<i>Fund Balances Beginning of Year</i>	29,533	2,733	19,436	2,062	15,781	20,410	89,955
<i>Fund Balances End of Year</i>	<u>\$24,333</u>	<u>\$48</u>	<u>\$12,508</u>	<u>\$335</u>	<u>\$16,814</u>	<u>\$19,372</u>	<u>\$73,410</u>

See accompanying notes to the basic financial statements

Middleton Township, Columbiana County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2004

	Budgeted Amounts			(Optional)
	Original	Final	Actual	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$24,468	\$24,468	\$21,826	(\$2,642)
Intergovernmental	74,100	83,900	90,742	6,842
Interest	250	250	135	(115)
Other	2571	2,571	4,328	1,757
<i>Total receipts</i>	<u>101,389</u>	<u>111,189</u>	<u>117,031</u>	<u>5,842</u>
Disbursements				
Current:				
General Government	91,876	100,441	92,778	7,663
Public Works	14,149	14,149	12,946	1,203
Health	2,200	2,200	1,912	288
Capital Outlay	8,350	8,350	6,104	2,246
<i>Total Disbursements</i>	<u>116,575</u>	<u>125,140</u>	<u>113,740</u>	<u>11,400</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(15,186)</u>	<u>(13,951)</u>	<u>3,291</u>	<u>17,242</u>
Other Financing Sources (Uses)				
Transfers In	0	0	172	172
Transfers Out	(13,905)	(13,905)	(13,905)	0
Other Financing Uses	0	(794)	0	794
<i>Total Other Financing Sources (Uses)</i>	<u>(13,905)</u>	<u>(14,699)</u>	<u>(13,733)</u>	<u>966</u>
<i>Net Change in Fund Balance</i>	(29,091)	(28,650)	(10,442)	18,208
<i>Fund Balance Beginning of Year</i>	29,092	29,092	29,092	0
Prior Year Encumbrances Appropriated	441	441	441	0
<i>Fund Balance End of Year</i>	<u>\$442</u>	<u>\$883</u>	<u>\$19,091</u>	<u>\$18,208</u>

See accompanying notes to the basic financial statements

Middleton Township, Columbiana County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Gasoline Tax Fund
For the Year Ended December 31, 2004

	Budgeted Amounts			(Optional)
	Original	Final	Actual	Variance with Final Budget Positive (Negative)
Receipts				
Intergovernmental	48,550	70,132	70146	14
Interest	18	18	6	(12)
<i>Total receipts</i>	<u>48,568</u>	<u>70,150</u>	<u>70,152</u>	<u>2</u>
Disbursements				
Current:				
Public Works	49,761	70,383	70,336	47
Health	0	0	0	0
Capital Outlay	1,540	2,500	2,500	0
<i>Total Disbursements</i>	<u>51,301</u>	<u>72,883</u>	<u>72,836</u>	<u>47</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(2,733)</u>	<u>(2,733)</u>	<u>(2,684)</u>	<u>49</u>
<i>Net Change in Fund Balance</i>	(2,733)	(2,733)	(2,684)	49
<i>Fund Balance Beginning of Year</i>	972	972	972	0
Prior Year Encumbrances Appropriated	1,760	1,760	1,760	0
<i>Fund Balance End of Year</i>	<u>(\$1)</u>	<u>(\$1)</u>	<u>\$48</u>	<u>\$49</u>

See accompanying notes to the basic financial statements

Middleton Township, Columbiana County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Road & Bridge Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$74,461	\$87,265	\$87,665	\$400
Intergovernmental	7,700	11,700	11,174	(526)
Other	12,000	22,041	22,167	126
<i>Total receipts</i>	<u>94,161</u>	<u>121,006</u>	<u>121,006</u>	<u>0</u>
Disbursements				
Current:				
Public Works	92,326	123,481	110,974	12,507
Health				
Capital Outlay	21,271	21,271	21,271	0
<i>Total Disbursements</i>	<u>113,597</u>	<u>144,752</u>	<u>132,245</u>	<u>12,507</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(19,436)</u>	<u>(23,746)</u>	<u>(11,239)</u>	<u>12,507</u>
Other Financing Sources (Uses)				
Transfers In	0	4,310	4,310	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>4,310</u>	<u>4,310</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(19,436)	(19,436)	(6,929)	12,507
<i>Fund Balance Beginning of Year</i>	19,436	19,436	19,436	0
Prior Year Encumbrances Appropriated	0	0	0	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$12,507</u>	<u>\$12,507</u>

See accompanying notes to the basic financial statements

Middleton Township, Columbiana County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Road Levy Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$61,048	\$63,606	\$65,059	\$1,453
Intergovernmental	5,000	8,000	8,181	181
Interest	0	0	0	0
Other	2,291	2,291	696	(1,595)
<i>Total receipts</i>	<u>68,339</u>	<u>73,897</u>	<u>73,936</u>	<u>39</u>
Disbursements				
Current:				
Public Works	66,383	74,962	73,689	1,273
Capital Outlay	4,017	4,017	4,017	0
<i>Total Disbursements</i>	<u>70,400</u>	<u>78,979</u>	<u>77,706</u>	<u>1,273</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(2,061)</u>	<u>(5,082)</u>	<u>(3,770)</u>	<u>1,312</u>
Other Financing Sources (Uses)				
Transfers In	0	2,042	2,042	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>2,042</u>	<u>2,042</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(2,061)	(3,040)	(1,728)	1,312
<i>Fund Balance Beginning of Year</i>	2,061	2,061	2,061	0
Prior Year Encumbrances Appropriated	<u>1</u>	<u>1</u>	<u>1</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$1</u>	<u>(\$978)</u>	<u>\$334</u>	<u>\$1,312</u>

See accompanying notes to the basic financial statements

Middleton Township, Columbiana County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Fire Levy Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$85,916	\$85,916	\$93,965	\$8,049
Intergovernmental	10,000	10,000	11,234	1,234
Interest	0	0	0	0
Other	6604	6,604	0	(6,604)
<i>Total receipts</i>	<u>102,520</u>	<u>102,520</u>	<u>105,199</u>	<u>2,679</u>
Disbursements				
Current:				
Public Safety	118,302 #	118,302	104,166	14,136
<i>Total Disbursements</i>	<u>118,302</u>	<u>118,302</u>	<u>104,166</u>	<u>14,136</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(15,782)</u>	<u>(15,782)</u>	<u>1,033</u>	<u>16,815</u>
<i>Net Change in Fund Balance</i>	(15,782)	(15,782)	1,033	16,815
<i>Fund Balance Beginning of Year</i>	15,782	15,782	15,782	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$16,815</u>	<u>\$16,815</u>

See accompanying notes to the basic financial statements

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Middleton Township
Notes to the Financial Statements
For the Year Ended December 31, 2004

Note 1 – Reporting Entity

Middleton Township, Columbiana County, Ohio (the Township), is a body politic and corporate established in the 1800's 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 also has an elected Township Clerk.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading. The Township had no component units or other organizations.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the Negley Volunteer Fire Department for fire protection. Police protection is provided by the County Sheriff.

B. Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township. Middleton Township does not have any component units.

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Middleton Township
Notes to the Financial Statements
For the Year Ended December 31, 2004

Note 2 – Summary of Significant Accounting Policies (continued)

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements identify those activities of the Township that are governmental. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash balance of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The Township's funds are categorized as governmental.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's five major governmental funds are the General Fund, Gasoline Tax Fund, Road and Bridge Fund, Road '98 Special Levy Fund and Fire Special Levy Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio. The Gasoline Tax Fund is for the receipt of all gasoline tax received from the State of Ohio. Receipts may be used for the repair, reconstruction and construction of roads, labor, and road equipment purchases, etc. Road and

Middleton Township
Notes to the Financial Statements
For the Year Ended December 31, 2004

Note 2 – Summary of Significant Accounting Policies (continued)

Bridge Fund is a portion of the inside millage real property taxes and may be used for the construction, reconstruction, resurfacing and repair of roads and bridges. The Road '98 Special Levy Fund is for the two (2) mills voted outside millage used for road repairs and equipment purchases along with wages. Fire Special Levy Fund is three (3) mills voted outside millage used to contract for fire protection for the residents of the Township.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

Middleton Township
Notes to the Financial Statements
For the Year Ended December 31, 2004

Note 2 – Summary of Significant Accounting Policies (continued)

E. Cash and Investments

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as 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 negative receipts (contra revenue), respectively.

During 2004, the Township invested in nonnegotiable certificates of deposit. The nonnegotiable certificates of deposit is reported at cost. The Township’s money market fund investment is recorded at the amount reported by Sky Bank on December 31, 2004.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2004 was \$134.50 which includes \$0 assigned from other Township funds.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent any funds left in the Bond Retirement Fund.

G. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 11 and 12, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

The Township’s cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

Middleton Township
Notes to the Financial Statements
For the Year Ended December 31, 2004

Note 2 – Summary of Significant Accounting Policies (continued)

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

Note 3 – Change in Basis of Accounting and Restatement of Fund Equity

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has implemented the cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund, gasoline tax fund, road & bridge fund, road '98 special levy fund and fire special levy fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$5,242 for the general fund.

Note 5 – Deposits and Investments

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Middleton Township
Notes to the Financial Statements
For the Year Ended December 31, 2004

Note 5 – Deposits and Investments (continued)

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Protection of the Township's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Township by the financial institution, or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity.

Middleton Township
Notes to the Financial Statements
For the Year Ended December 31, 2004

Note 5 – Deposits and Investments (continued)

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Township or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the Township had \$0 in undeposited cash on hand which is included as part of “Equity in Pooled Cash and Cash Equivalents”.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, “Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements”.

At year end, the carrying amount of the Township’s deposits was \$68,910.76 and the bank balance was \$68,910.76. Of the bank balance \$68,910.76 was covered by federal depository insurance. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Township to a successful claim by the FDIC.

The Township’s investments are required to be categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Township or its agent in the Township’s name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the Township's name. The investments in U.S. Treasury Bills are classified in category three. Investments in the money market mutual fund are not classified since they are not evidenced by securities that exist in physical or book-entry form.

Deposits

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Note 6 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2004 represent the collection of 2003 taxes. Real property taxes received in 2004 were levied after October 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Middleton Township
Notes to the Financial Statements
For the Year Ended December 31, 2004

Note 6 – Property Taxes (continued)

Public utility property tax receipts received in 2004 represent the collection of 2003 taxes. Public utility real and tangible personal property taxes received in 2003 became a lien on December 31, 2002, were levied after October 1, 2003, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2004 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2004 were levied after October 1, 2003, on the true value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2004, was \$9.70 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2004 property tax receipts were based are as follows:

Real Property	
Residential	\$34,893,160
Agriculture	\$11,266,460
Commercial/Industrial/Mineral	\$ 1,992,360
Public Utility Property	
Personal	\$ 3,402,180
Tangible Personal Property	\$ 1,821,780
Total Assessed Value	\$53,375,940

Note 7 – Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2004 the Township contracted with the Cincinnati Insurance Company. Coverage provided by the Cincinnati Insurance Company is as follows:

Legal Liability	\$1,000,000	Per Occurrence
Automobile Liability	\$ 500,000	Per Occurrence
Law Enforcement Operations	N/A	Per Occurrence
Wrongful Acts	\$2,000,000	Per Occurrence
Property	\$ 500,000	Total Coverage
Boiler and Machinery	N/A	Limit

There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs.

Middleton Township
Notes to the Financial Statements
For the Year Ended December 31, 2004

Note 7 – Risk Management (continued)

The Township provides hospitalization and dental insurance for all full-time road department employees and the trustees.

Note 8 – Defined Benefit Pension Plan

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. OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

Note 9 - Debt

A summary of the debt transactions for the year ended December 31, 2005, follows:

	Interest Rate	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005
<u>Governmental Activities</u>					
2000 Note – Backhoe	6.85%	\$ 14,040	\$ 0	\$ (9167)	\$ 4,873
2003 Note – Truck	4.35%	\$ 57,700	\$ 15,041	\$ (12,310)	\$ 60,431
Total Government Activities		<u>\$ 71,740</u>	<u>\$ 15,041</u>	<u>\$ (21,477)</u>	<u>\$ 65,304</u>

The Township signed promissory notes to finance the purchase of a backhoe and an International Dump Truck maintenance of the Township's roads. The Township will fund the debt with tax revenues. Amortization of the above debt, including interest, is scheduled as follows:

The following is a summary of the Township's future annual debt service requirements:

Year	G.O. Notes	
	Principal	Interest
2005	\$ 18,126	\$ 2,538
2006	\$ 13,841	\$ 1,779
2007	\$ 14,455	\$ 1,164
2008	\$ 15,097	\$ 523
2009	\$ 4,708	\$ 27
Totals	<u>\$ 66,227</u>	<u>\$ 6,031</u>

Note 10 – Interfund Transfers

During 2004 the following transfers were made:

Transfers from the General Fund to:	
Other Governmental Funds	<u>\$13,905.00</u>
Total Transfers from the General Fund	<u>\$13,905.00</u>

Middleton Township
Notes to the Financial Statements
For the Year Ended December 31, 2004

Note 10 – Internal Transfers (continued)

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.



Auditor of State Betty Montgomery

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

Middleton Township
Columbiana County
P.O. Box 295
Negley, Ohio 44441-0295

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Middleton Township (the Township) as of and for the year ended December 31, 2004, which collectively comprise the Township's basic financial statements and have issued our report thereon dated September 6, 2006, wherein we noted the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34. 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*. We also noted that the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated September 6, 2006, we reported other matters involving internal control over financial reporting we did not deem a reportable condition.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Township's management dated September 6, 2006, we reported matters related to noncompliance we deemed immaterial.

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We intend this report solely for the information and use of the management and Board of Trustees. It is not intended for 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

September 6, 2006



Mary Taylor, CPA
Auditor of State

MIDDLETON TOWNSHIP

COLUMBIANA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 7, 2007**