



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

YELLOW CREEK TOWNSHIP
COLUMBIANA COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Yellow Creek Township
Columbiana County
1075 Township Line Rd
Wellsville, OH 43968

To the Board of Trustees:

We have audited the accompanying financial statements of Yellow Creek Township (the Township) as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2002 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, the Board and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

February 21, 2002

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**YELLOW CREEK TOWNSHIP
COLUMBIANA COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$21,743	\$129,014	\$11,565	\$162,322
Intergovernmental	42,867	80,090		122,957
Earnings on Investments	185	555		740
Other Revenue	8,144	45,801		53,945
Total Cash Receipts	<u>72,939</u>	<u>255,460</u>	<u>11,565</u>	<u>339,964</u>
Cash Disbursements:				
Current:				
General Government	64,182			64,182
Public Safety		67,746		67,746
Public Works		187,118		187,118
Health	3,669			3,669
Debt Service:				
Redemption of Principal			9,644	9,644
Interest and Fiscal Charges			1,921	1,921
Total Cash Disbursements	<u>67,851</u>	<u>254,864</u>	<u>11,565</u>	<u>334,280</u>
Total Receipts Over Disbursements	<u>5,088</u>	<u>596</u>		<u>5,684</u>
Other Financing Receipts/(Disbursements):				
Transfers-In		12,000		12,000
Transfers-Out	(12,000)			(12,000)
Total Other Financing Receipts/(Disbursements)	<u>(12,000)</u>	<u>12,000</u>		
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(6,912)	12,596		5,684
Fund Cash Balances, January 1	19,694	29,543	3,565	52,802
Fund Cash Balances, December 31	<u>\$12,782</u>	<u>\$42,139</u>	<u>\$3,565</u>	<u>\$58,486</u>
Reserve for Encumbrances, December 31	<u>\$89</u>	<u>\$491</u>		<u>\$580</u>

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

YELLOW CREEK TOWNSHIP
COLUMBIANA COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash Receipts:				
Local Taxes	\$20,406	\$128,821	\$3,565	\$152,792
Intergovernmental	61,789	79,842		141,631
Charges for Services	60	302		362
Fines, Forfeitures, and Penalties	15			15
Earnings on Investments	305	914		1,219
Other Revenue	3,619			3,619
Total Cash Receipts	<u>86,194</u>	<u>209,879</u>	<u>3,565</u>	<u>299,638</u>
Cash Disbursements:				
Current:				
General Government	59,282			59,282
Public Safety		68,265		68,265
Public Works		146,520		146,520
Health	3,369			3,369
Debt Service:				
Redemption of Principal			13,708	13,708
Interest and Fiscal Charges			2,600	2,600
Total Cash Disbursements	<u>62,651</u>	<u>214,785</u>	<u>16,308</u>	<u>293,744</u>
Total Receipts Over/(Under) Disbursements	<u>23,543</u>	<u>(4,906)</u>	<u>(12,743)</u>	<u>5,894</u>
Other Financing Receipts/(Disbursements):				
Transfers-In		20,610	12,565	33,175
Transfers-Out	(33,175)			(33,175)
Total Other Financing Receipts/(Disbursements)	<u>(33,175)</u>	<u>20,610</u>	<u>12,565</u>	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(9,632)</u>	<u>15,704</u>	<u>(178)</u>	<u>5,894</u>
Fund Cash Balances, January 1	<u>29,326</u>	<u>13,839</u>	<u>3,743</u>	<u>46,908</u>
Fund Cash Balances, December 31	<u>\$19,694</u>	<u>\$29,543</u>	<u>\$3,565</u>	<u>\$52,802</u>
Reserve for Encumbrances, December 31		<u>\$4,409</u>		<u>\$4,409</u>

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

**YELLOW CREEK TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Yellow Creek Township, Columbiana County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance. The Township contracts with the Wellsville and Highlandtown Volunteer Fire Departments to provide fire services.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

The Township had an interest bearing checking account. Interest earned is recognized and recorded when received. Investment procedures are restricted by the provisions of the Ohio Revised Code. No investments were held by the Township.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

Road and Bridge Fund - This fund receives property tax money to construct, maintain and repair Township roads and bridges.

Gasoline Tax Fund - This fund receives gasoline tax money to construct, maintain and repair Township roads.

**YELLOW CREEK TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fire District Fund - This fund receives property tax money to provide fire services from the Wellsville and Highlandtown Volunteer Fire Departments.

3. Debt Service Funds

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	<u>2001</u>	<u>2000</u>
Demand deposits	<u>\$58,486</u>	<u>\$52,802</u>

**YELLOW CREEK TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$69,366	\$72,939	\$3,573
Special Revenue	306,530	267,460	(39,070)
Debt Service	15,535	11,565	(3,970)
Total	<u>\$391,431</u>	<u>\$351,964</u>	<u>(\$39,467)</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$80,891	\$79,940	\$ 951
Special Revenue	259,698	255,355	4,343
Debt Service	17,290	11,565	5,725
Total	<u>\$357,879</u>	<u>\$346,860</u>	<u>\$11,019</u>

2000 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$50,682	\$86,194	\$35,512
Special Revenue	228,426	230,489	2,063
Debt Service	11,086	16,130	5,044
Total	<u>\$290,194</u>	<u>\$332,813</u>	<u>\$42,619</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$98,935	\$95,826	\$3,109
Special Revenue	254,730	219,194	35,536
Debt Service	17,520	16,308	1,212
Total	<u>\$371,185</u>	<u>\$331,328</u>	<u>\$39,857</u>

Contrary to Ohio law, the Township did not pass permanent appropriations for fiscal years 2001 and 2000. Also contrary to Ohio law, the township had 48 instances out of a sample of 60 where the obligation date preceded the date certified.

**YELLOW CREEK TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
General Obligation Note	\$21,096	6.25%

The general obligation note was issued to finance the purchase of a New Holland tractor/mower to be used for Township road maintenance. The note is collateralized by the taxing authority of the Township.

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

Year ending December 31:	General Obligation Note
2002	\$11,565
2003	11,565
Total	\$23,130

6. RETIREMENT SYSTEMS

Township employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000. The Township has paid all contributions required through December 31, 2001.

**YELLOW CREEK TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

7. RISK MANAGEMENT

Risk Pool Membership

The Township is a member of the Ohio Township Risk Management Authority (OTARMA), a risk sharing pool available to Ohio townships (the Pool). The Pool assumes the risk of loss up to the limits of Yellow Creek Township's policy. The Pool covers the following risks:

- General liability and casualty;
- Public official's liability; and
- Vehicle.

The Pool reported the following summary of assets and liabilities available to pay casualty and property coverage as of December 31:

	<u>2000 *</u>	<u>1999 *</u>
Cash and investments	\$26,841,167	\$21,716,659
Liabilities	\$9,422,808	\$6,621,765

* - The latest information available at this time.

8. CONTINGENT LIABILITIES

The District is one of several Townships named in a Board of Tax Appeal Case. The case deals with the alternate formula for distribution of local government tax monies. Although the outcome of this case is not presently determinable, counsel believes that the resolution of this matter will not materially adversely affect the District's financial condition.

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

Yellow Creek Township
Columbiana County
1075 Township Line Rd
Wellsville, OH 43968

To the Board of Trustees:

We have audited the accompanying financial statements of Yellow Creek Township (the Township) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated February 21, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-41215-001 and 2001-41215-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated February 21, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated February 21, 2002.

This report is intended solely for the information and use of the management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

February 21, 2002

**YELLOW CREEK TOWNSHIP
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-41215-001

Ohio Rev. Code 5705.41(B) states that “no subdivision or taxing unit is to expend money unless it has been appropriated.”

The Township did not approve permanent appropriations for either fiscal year 2001 or 2000. We used temporary appropriations for testing purposes. For fiscal year 2001, the Township had expenditures that exceeded appropriations in the Road & Bridge Fund by \$51,346 and in the Fire District Fund by \$380. For fiscal year 2000, the Township had expenditures that exceeded appropriations in the Road & Bridge Fund by \$4,386 and in the Road District Fund by \$293.

We recommend that the Township implement policies and procedures to ensure that annual appropriations are approved so that appropriations exceed expenditures in compliance with Ohio Rev. Code 5705.41(B).

FINDING NUMBER 2001-41215-002

Ohio Rev. Code Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Township may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than one thousand dollars the fiscal officer issues a certificate, but may authorize it to be paid without the affirmation of the Trustees.

During non-payroll disbursements testing, it was brought to our attention that the Township had 48 instances out of 60 where the obligation was entered into prior to be certified by the Clerk.

We recommend that the Township implement policies and procedures to ensure that funds are certified prior to entering into an obligation in compliance with Ohio Rev. Code 5705.41(D).

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**YELLOW CREEK TOWNSHIP
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001-2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1999-41215-001	Revised Code 5705.38, failure to pass appropriation measure		Partially Corrected; See finding 2001-41215-001
1999-41215-002	Revised Code 5705.41(B), expenditures exceed appropriations		Partially Corrected; Cited in the management letter dated February 21, 2002
1999-41215-003	Revised Code 5705.41(D), failure to certify funds		Not Corrected; See finding 2001-41215-002



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YELLOW CREEK TOWNSHIP

COLUMBIANA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 14, 2002**