



Mary Taylor, CPA  
Auditor of State



**CENTER TOWNSHIP  
NOBLE COUNTY**

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Mary Taylor, CPA  
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.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

July 22, 2009

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# Mary Taylor, CPA

## 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, 2008 and 2007. 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.

Except as discussed in paragraphs six through nine, 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 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 sixth following paragraph.

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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, 2008 and 2007 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, 2008 and 2007, or its changes in financial position for the years then ended.

During 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. Due to the impact this adjustment would have on the General Fund, the Township declined to make this adjustment in the prior audit period and has declined to make this adjustment for the current audit period. Had these amounts been properly posted to the financial statements and the Township's accounting system, the effect would be to decrease the General Fund cash balance at January 1, 2007 by \$6,650. The Special Revenue fund type cash balance would have increased by \$6,650 at January 1, 2007.

During 2007, 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. Due to the impact this adjustment would have on the General Fund, the Township has declined to make this adjustment this audit period. Had this amount been properly posted to the financial statements and the Township's accounting system, the 2007 General Fund's receipts and fund balance would have decreased by \$1,328 and the Special Revenue fund type's receipts and fund balance would have increased by the same amount.

During 2007 and 2008, the Township improperly paid salaries for the Board of Trustees from the Gasoline Tax Fund in the amount of \$1,156 and \$1,271, respectively, that should have been paid from the General Fund. Due to the impact these adjustments would have on the General Fund, the Township has declined to make these adjustments this audit period. Had these amounts been properly posted to the financial statements and the Township's accounting system, the 2007 General Fund's expenditures would have increased by \$1,156 and the December 31, 2007 cash fund balance would have decreased by \$1,156. The 2007 Special Revenue Fund's expenditures would have decreased by \$1,156 and the December 31, 2007 cash fund balance would have increased by \$1,156. The 2008 General Fund's expenditures would have increased by \$1,271 and the December 31, 2008 cash fund balance would have decreased by \$1,271. The 2008 Special Revenue Fund's expenditures would have decreased by \$1,271 and the December 31, 2008 cash fund balance would have been increased by \$1,271.

During 2008, 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. Due to the impact this adjustment would have on the General Fund, the Township has declined to make this adjustment this audit period. Had these amounts been properly posted to the financial statements and the Township's accounting system, the 2008 General Fund receipts and fund balance would have decreased by \$20,456, and the Special Revenue fund type's receipts and fund balance would have increased by the same amount.

Also, in our opinion, because of the effects of the matters described in the preceding four 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, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 July 22, 2009, 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 cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

July 22, 2009

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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, 2008**

	<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	\$6,257	\$31,728		\$37,985
Intergovernmental	6,210	102,587		108,797
Earnings on Investments	431	356		787
Miscellaneous	224	1,777		2,001
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	13,122	136,448	\$0	149,570
<b>Cash Disbursements:</b>				
Current:				
General Government	23,546			23,546
Public Safety		568		568
Public Works	1,114	142,941		144,055
Health		5,190		5,190
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	24,660	148,699	0	173,359
Total Cash Receipts Over/(Under) Cash Disbursements	(11,538)	(12,251)	0	(23,789)
<b>Other Financing Receipts and (Disbursements):</b>				
Other Debt Proceeds		8,000		8,000
Transfers-In	21,683	91		21,774
Transfers-Out	(91)	(21,683)		(21,774)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	21,592	(13,592)	0	8,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	10,054	(25,843)	0	(15,789)
Fund Cash Balances, January 1	610	121,177	46	121,833
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b>\$10,664</b>	<b>\$95,334</b>	<b>\$46</b>	<b>\$106,044</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, 2007**

	<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	\$6,099	\$24,841		\$30,940
Intergovernmental	7,893	102,226		110,119
Earnings on Investments	285	413		698
Miscellaneous		678		678
Total Cash Receipts	<u>14,277</u>	<u>128,158</u>	<u>\$0</u>	<u>142,435</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	17,615			17,615
Public Works	1,800	122,719		124,519
Health		740		740
Debt Service:				
Redemption of Principal		4,825		4,825
Total Cash Disbursements	<u>19,415</u>	<u>128,284</u>	<u>0</u>	<u>147,699</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(5,138)	(126)	0	(5,264)
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-In		5,080		5,080
Transfers-Out		(5,080)		(5,080)
Other Financing Sources	970			970
Total Other Financing Receipts/(Disbursements)	<u>970</u>	<u>0</u>	<u>0</u>	<u>970</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(4,168)	(126)	0	(4,294)
Fund Cash Balances, January 1	<u>4,778</u>	<u>121,303</u>	<u>46</u>	<u>126,127</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$610</u></b>	<b><u>\$121,177</u></b>	<b><u>\$46</u></b>	<b><u>\$121,833</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, 2008 AND 2007**

**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 services. The Township contracts with Belle Valley, Summerfield and Caldwell Volunteer fire departments to provide fire protection.

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. Deposits**

The Township values its certificate of deposit at cost.

**D. 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, 2008 AND 2007  
(Continued)**

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

**D. 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 purchase of road equipment.

**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 object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. 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 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 2008 and 2007 budgetary activity appears in Note 3.

**F. 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.

**2. Equity in Pooled Deposits**

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

**CENTER TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**2. Equity in Pooled Deposits (Continued)**

	2008	2007
Demand deposits	\$100,559	\$116,348
Certificates of deposit	5,485	5,485
Total deposits	\$106,044	\$121,833

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

**3. Budgetary Activity**

Budgetary activity for the years ending 2008 and 2007 follows:

**2008 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$34,473	\$34,805	\$332
Special Revenue	135,029	144,539	9,510
Debt Service	0	0	0
Total	\$169,502	\$179,344	\$9,842

**2008 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$18,072	\$24,751	(\$6,679)
Special Revenue	251,126	170,382	80,744
Debt Service	45	0	45
Total	\$269,243	\$195,133	\$74,110

**2007 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$14,325	\$15,247	\$922
Special Revenue	119,640	133,238	13,598
Debt Service	0	0	0
Total	\$133,965	\$148,485	\$14,520

**2007 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$23,103	\$19,415	\$3,688
Special Revenue	235,570	133,364	102,206
Debt Service	45	0	45
Total	\$258,718	\$152,779	\$105,939

Contrary to Ohio law, appropriations exceeded estimated resources in the General Fund by \$4,000 for the year ended December 31, 2007.

**CENTER TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**3. Budgetary Activity (Continued)**

Contrary to Ohio law, budgetary expenditures exceeded appropriations in the General Fund by \$6,679, for the year ended December 31, 2008. Also there were six line items (legal level of control) in the General Fund that had budgetary expenditures exceed appropriations in amounts ranging from \$121 to \$1,998, for the year ended December 31, 2008.

**4. 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.

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, 2008 was as follows:

	Principal	Interest Rate
Promissory Note	\$7,211	4.00%

The Township issued a promissory note in 2008 to finance the purchase of a truck. The note is collateralized solely by the Township's taxing authority.

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

Year ending December 31:	Promissory Note
2009	\$2,168
2010	2,168
2011	2,168
2012	1,248
Total	\$7,752

**6. 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 plans' benefits, which include postretirement healthcare and survivor and disability benefits.

**CENTER TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**6. Retirement System (Continued)**

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPERS members contributed 10% and 9.5%, respectively, of their gross salaries and the Township contributed an amount equaling 14% and 13.85%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

**7. 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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). 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 Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

**CENTER TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**7. Risk Management (Continued)**

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$2,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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><u>Contributions to OTARMA</u></b>	
2006	\$2,718
2007	\$2,181
2008	\$2,184

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary 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.



# Mary Taylor, CPA

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, OH 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, 2008 and 2007, and have issued our report thereon dated July 22, 2009, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. In addition, the financial statements are qualified due to a prior period advance being recorded between unallowable funds and the Township declining to make adjustments for improper postings. We also noted 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. 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 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 expressing our opinion on the financial statements, but not to opine 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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We consider findings 2008-001 through 2008-004, 2008-009 and 2008-010 described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe findings number 2008-001 through 2008-004 and 2008-009 are also material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated July 22, 2009.

#### **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 2008-001 through 2008-008.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated July 22, 2009.

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



**Mary Taylor, CPA**  
Auditor of State

July 22, 2009

**CENTER TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2008-001**

**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.

In our report dated May 22, 2007 on the Township's financial statements for the years ended December 31, 2006 and 2005, we noted on September 28, 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 advance was not repaid as of December 31, 2006.

In our May 22, 2007 report, we issued a finding for adjustment against the General Fund of Center Township, Noble County, in the amount of \$6,650 in favor of the Road and Bridge Fund, Special Revenue fund type.

A finding for adjustment is hereby issued against the General Fund of Center Township, Noble County, in the amount of \$6,650, in favor of the Road and Bridge Fund, a Special Revenue Fund. The Township has not posted this adjustment to its financial statements or their accounting system, nor has the advance been repaid as of December 31, 2008. Accordingly, we are reissuing this finding for adjustment.

**FINDING NUMBER 2008-002**

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

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;

**CENTER TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2008-002 (Continued)**

**Finding for Adjustment/Material Weakness/Noncompliance Citation - Auditor of State Bulletin 98-013 (Continued)**

- 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.

During 2008, 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 General Fund of Center Township, Noble County, in the amount of \$20,456 in favor of the Gasoline Tax Fund, a Special Revenue Fund. The Township has not posted this adjustment to its financial statements or their accounting system.

**FINDING NUMBER 2008-003**

**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 2008 and 2007, the Trustees' payments were not always made in accordance with the documentation prepared for how they spent their time. For 2008 and for July 3, 2007 through December 31, 2007, \$1,271 and \$1,156, respectively, should have been paid out of the General Fund instead of the Gasoline Tax Fund according to the Trustees' documentation presented for audit.

**CENTER TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2008-003 (Continued)**

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

As a result of the foregoing facts, a finding for adjustment is hereby issued against the Center Township General Fund, in the amount of \$1,271 in 2008 and \$1,156 in 2007 and in favor of the Center Township Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$1,271 in 2008 and \$1,156 in 2007.

The Fiscal Officer has not posted this adjustment to the Township records and therefore, this adjustment is not reflected in the accompanying financial statements.

**FINDING NUMBER 2008-004**

**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 2007, the Fiscal Officer incorrectly posted \$1,328 of homestead and rollback receipts to the General Fund instead of the Road and Bridge Fund.

As a result of the foregoing facts, 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.

**FINDING NUMBER 2008-005**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.38(A) states, in part, that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the County Budget Commission based upon the actual year and balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1.

Also, Ohio Rev. Code Section 5705.41(B) states that no subdivision is to expend money unless it has been properly appropriated.

The Board of Trustees did not adopt appropriations for 2008 until April 24, 2008. This resulted in expenditures exceeding appropriations in every fund for the period January 1, 2008 through April 23, 2008.

We recommend on or about the first day of each fiscal year, the Township pass a temporary appropriation measure for meeting the ordinary expenses until the permanent measure is adopted.

**CENTER TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2008-006**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.39 states, in part, the total appropriations from each fund shall not exceed the total estimated revenue available for expenditure therefrom as certified by the Budget Commission.

As of December 31, 2007, the following fund had appropriations exceeding estimated resources as follows:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
General	\$ 19,103	\$ 23,103	\$ (4,000)

The practice of allowing appropriations to exceed estimated resources could lead to expenditures being made for which the Township does not have adequate funds, thus leading to negative fund balances. The Noble County Auditor also issued certificates stating that the appropriations exceeded estimated resources at times when amended certificates were obtained.

We recommend the Township closely monitor appropriations to ensure that appropriations do not exceed estimated resources at any time throughout the year.

**FINDING NUMBER 2008-007**

**Noncompliance Citation**

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

At December 31, 2008, expenditures exceeded appropriations as follows:

<u>Fund</u>	<u>Approved Appropriations</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General	\$ 18,072	\$ 24,751	\$ (6,679)

**CENTER TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

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

**FINDING NUMBER 2008-007 (Continued)**

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

<u>Fund/Line Item</u>	<u>Approved Appropriations</u>	<u>Actual Expenditures</u>	<u>Variance</u>
1000-110-211-0000	\$ 1,000	\$ 2,384	\$(1,384)
1000-110-313-0000	400	606	(206)
1000-110-314-0000	160	281	(121)
1000-110-341-0000	200	536	(336)
1000-110-599-0000	1,520	3,518	(1,998)
1000-310-360-0000	10	1,115	(1,105)

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

We recommend the Fiscal Officer monitor expenditures compared to appropriations throughout the year. The Fiscal Officer may request the Board of Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**FINDING NUMBER 2008-008**

**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.

**CENTER TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2008-008 (Continued)**

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

1. 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 97 percent of the expenditures tested in 2007 and 90 percent of the expenditures tested in 2008, 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.

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.

**CENTER TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2008-009**

**Material Weakness**

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements.

During 2007, the Fiscal Officer posted certain transactions incorrectly as follows:

- \$323 of homestead and rollback was posted to Taxes instead of Intergovernmental in the General Fund; and
- \$5,080 of FEMA money was recorded as Public Works expenditures in the FEMA fund and Other Financing Sources in the General Fund instead of as a transfer out of the FEMA Fund and a transfer in to the Gasoline Tax Fund from which the expenditures were originally made.

During 2008, the Fiscal Officer posted a certain transaction incorrectly as follows:

- The debt proceeds of \$8,000 from the loan for the backhoe was posted to Miscellaneous Revenue instead of Debt Proceeds in Other Financing Sources/Uses in the Road and Bridge Fund.

These errors were due to a lack of management oversight. As a result, these adjustments and reclassifications, with which the Township's management agrees, were made to the financial statements and the Township's ledgers.

We recommend the Fiscal Officer refer to the Ohio Township Handbook for proper classification and take additional care in posting transactions to the Township's ledgers in order to ensure the Township's year-end financial statements reflect the appropriate sources of the Township's receipts and expenditures.

**FINDING NUMBER 2008-010**

**Significant Deficiency**

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, 2008, appropriations as approved by the Board of Trustees did not agree to the Township's ledgers and footnotes to the financial statements for the following funds:

**CENTER TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

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

**FINDING NUMBER 2008-010 (Continued)**

**Significant Deficiency (Continued)**

<u>Fund</u>	<u>Approved Appropriations</u>	<u>Appropriations per the UAN system</u>	<u>Variance</u>
General	\$18,171	\$39,754	(\$21,583)
Cemetery	7,424	6,924	500

At December 31, 2008, appropriations as approved by the Board of Trustees did not agree to the Township's ledgers at the legal level of control as follows:

<u>Fund/Line Item</u>	<u>Approved Appropriations</u>	<u>Appropriations per the UAN system</u>	<u>Variance</u>
1000-110-211-0000	\$2,000	\$3,200	(\$1,200)
1000-110-312-0000	310	910	(600)
1000-110-313-0000	400	700	(300)
1000-110-314-0000	160	460	(300)
1000-110-341-0000	200	620	(420)
1000-110-345-0000	110	260	(150)
1000-110-351-0000	400	750	(350)
1000-110-352-0000	200	382	(182)
1000-110-599-0000	1,520	11,561	(10,041)
1000-310-360-0000	10	5,010	(5,000)
2031-330-420-0000	18,000	16,000	2,000
2041-410-360-0000	4,529	4,029	500

The amendment to estimated revenue in 2007 and the amendment to the General Fund in 2008 were posted before the date of the certificate. In addition, one amendment to estimated revenue for the General Fund in 2008 was posted for \$500 less than the amended certificate, and the other two amendments were not posted to the system causing variances of \$8,000 for the Road and Bridge Fund and \$2,029 for the Cemetery Fund.

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.

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:** We did not receive a response from Officials to the findings reported above.

**CENTER TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2006-001	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 2008-001.
2006-002	Ohio Rev. Code Section 135.18(A) – For 15 of the 24 months under audit, the Township’s demand deposit balance exceeded the \$100,000 FDIC coverage, and the Township did not have security for the excess balance.	Yes	Corrected. The Township pledged securities over FDIC coverage.
2006-003	Ohio Rev. Code Section 5705.41(B) – expenditures exceeded appropriations at December 31, 2005 in two funds and at December 31, 2006 in two funds.	No	Not Corrected. Reissued in the report as Finding Number 2008-007.
2006-004	Ohio Rev. Code Section 5705.41(D)(1) – 33 percent of expenditures tested in 2005 and 21 percent of expenditures tested in 2006 were not properly encumbered.	No	Not Corrected. Reissued in the report as Finding Number 2008-008.
2006-005	Ohio Admin. Code Section 117-2-02(C)(1) – estimated receipts per the Budget Commission and appropriations per the Board of Trustees did not agree to the amounts posted to the Township’s system at the fund level for several funds and at the object level for several line items.	No	Not Corrected. Reissued in the report as Finding Number 2008-010.





Mary Taylor, CPA  
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  
AUGUST 18, 2009**