

**YELLOW CREEK TOWNSHIP
COLUMBIANA COUNTY**

AUDIT REPORT

JANUARY 1, 2018 - DECEMBER 31, 2019

OHIO AUDITOR OF STATE
KEITH FABER



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Columbus, Ohio 43215
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(800) 282-0370

Board of Trustees
Yellow Creek Township
1075 Township Line Road
Wellsville, Ohio 43968

We have reviewed the *Independent Auditors' Report* of the Yellow Creek Township, Columbiana County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2018 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Yellow Creek Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

May 28, 2020

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**YELLOW CREEK TOWNSHIP
COLUMBIANA COUNTY
JANUARY 1, 2018 - DECEMBER 31, 2019**

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**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

INDEPENDENT AUDITORS' REPORT

Yellow Creek Township
Columbiana County
1075 Twp Line Road
Wellsville, Ohio 43968

To the Township Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type and related notes of Yellow Creek Township, Columbiana County, as of and for the years ended December 31, 2019 and 2018.

Management's Responsibility For the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonable determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Yellow Creek Township, Columbiana County as of December 31, 2019 and 2018, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Yellow Creek Township, Columbiana County as of December 31, 2019 and 2018, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 13 to the 2019 financial statements, during 2020, the impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated April 2, 2020, on our consideration of Yellow Creek 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. That report describes the scope of our internal control testing over financial reporting and compliance and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
April 2, 2020

**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, 2019**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 34,445	\$ 282,440	\$ 316,885
Licenses, Permits and Fees	11,110	-	11,110
Intergovernmental	44,927	155,929	200,856
Miscellaneous	274,798	50	274,848
Total Cash Receipts	<u>365,280</u>	<u>438,419</u>	<u>803,699</u>
Cash Disbursements:			
Current:			
General Government	217,832	-	217,832
Public Safety	-	94,290	94,290
Public Works	555,204	289,826	845,030
Conservation-Recreation	-	1,589	1,589
Capital Outlay	274,429	127	274,556
Debt Service:			
Principal Retirement	-	48,002	48,002
Interest and Fiscal Charges	-	4,259	4,259
Total Cash Disbursements	<u>1,047,465</u>	<u>438,093</u>	<u>1,485,558</u>
Excess of Receipts Over (Under) Disbursements	(682,185)	326	(681,859)
Other Financing Receipts (Disbursements)			
Loans Issued	68,715	-	68,715
Sale of Capital Assets	6,000	-	6,000
Other Financing Sources	256	-	256
Total Other Financing Receipts (Disbursements)	<u>74,971</u>	<u>-</u>	<u>74,971</u>
Extraordinary Item	<u>182,000</u>	<u>-</u>	<u>182,000</u>
Net Change in Fund Cash Balance	(425,214)	326	(424,888)
Fund Cash Balances, January 1, Restated	<u>1,022,317</u>	<u>80,234</u>	<u>1,102,551</u>
Fund Cash Balances, December 31			
Restricted	-	80,560	80,560
Assigned	845	-	845
Unassigned (Deficit)	596,258	-	596,258
Fund Cash Balances, December 31	<u>\$ 597,103</u>	<u>\$ 80,560</u>	<u>\$ 677,663</u>

See notes to financial statements.

**YELLOW CREEK TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

1. REPORTING ENTITY

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Yellow Creek Township, Columbiana County, (the Township) as a body corporate and politic. A publically-elected three-member Board of Trustees directs the Township. The Township provides general government services, road and bridge maintenance, and fire protection. The Township contracts with the Wellsville Volunteer Fire Department and the Highlandtown Volunteer Fire Department to provide fire protection services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

B. Fund Accounting

The Township uses funds 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. The funds of the Township are presented below:

General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported 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.

Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

Gasoline Tax Fund – This fund receives gasoline tax monies to pay for constructing, maintaining, and repairing Township roads.

Road & Bridge Fund – This fund receives property tax monies to pay for constructing, maintaining, and repairing Township roads.

Fire Levy Fund – This fund receives property tax monies to pay for fire protection.

**YELLOW CREEK TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D) permit.

D. Budgetary Process

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

Appropriations

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

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 approve estimated resources.

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.

A summary of 2019 appear in Note 3.

E. Deposits and Investments

The Township's accounting basis includes investment as assets. This basis does not record disbursement for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

F. Capital Assets

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

**YELLOW CREEK TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

H. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first, followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**YELLOW CREEK TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 558,697	\$ 622,251	\$ 63,554
Special Revenue	415,012	438,419	23,407
Total	\$ 973,709	\$ 1,060,670	\$ 86,961

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,481,742	\$ 1,048,310	\$ 433,432
Special Revenue	489,472	440,292	49,180
Total	\$ 1,971,214	\$ 1,488,602	\$ 482,612

Contrary to ORC 5705.39, the Township had appropriations greater than estimated resources.

Contrary to ORC 5705.41(D), the Township had made expenditures prior to certification.

4. EQUITY IN POOLED CASH

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:

	2019
Demand deposits	\$ 677,663
Total Deposits	\$ 677,663

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

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Township Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

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

**YELLOW CREEK TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

6. RISK MANAGEMENT

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township’s policy. The Pool covers the following risks:

- General liability and casualty
- Public official’s liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31, 2018 (latest information available):

	2018
Cash and investments	\$33,097,416
Actuarial liabilities	7,874,610

7. DEFINED BENEFIT PENSION PLANS

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

The Ohio Revised Code also prescribes contribution rates. For 2019, OPERS members contributed 10.0% of their gross wages and the Township contributed an amount equal to 14.0% of participant’s gross salaries. The Township has paid all contributions required through December 31, 2019.

8. POSTEMPLOYMENT BENEFITS

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2019.

9. DEBT

Debt outstanding at December 31, 2019 was as follows:

	Principal	Interest rate
International Plow Truck	\$ 26,424	3.50%
Backhoe	42,239	3.50%
Truck	68,715	3.50%
Total	\$ 137,378	

**YELLOW CREEK TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

9. DEBT (Continued)

The Township entered into a loan agreement during 2015 with Hancock County Savings Bank to purchase a Plow Truck to be used for road repairs. This loan will be paid annual installments over 5 years with interest at 3.50%.

The Township entered into a loan agreement during 2016 with Hancock County Savings Bank to purchase a Backhoe to be used for road repairs. This loan will be paid annual installments over 5 years with interest at 3.50%.

The Township entered into a loan agreement during 2019 with Hancock County Savings Bank to purchase a Truck to be used for road repairs. This loan will be paid annual installments over 4 years with interest at 3.50%.

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

Year Ended December 31	Plow Truck	Backhoe	Truck
2020	\$ 29,547	\$ 22,715	\$ 18,708
2021	-	22,715	18,708
2022	-	-	18,708
2023	-	-	18,708
Total	<u>\$ 29,547</u>	<u>\$ 45,430</u>	<u>\$ 74,832</u>

10. PUBLIC ENTITY RISK POOL

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. 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 exceeding the member's deductible.

11. RESTATEMENT OF FUND BALANCE

Fund balances in the General and Special Revenue Funds have been restated for the year beginning January 1, 2019 as corrections were made:

	General
Fund Balance at December 31, 2018	\$ 1,022,998
Adjustments	(681)
Fund Balance at January 1, 2019	<u>\$ 1,022,317</u>

12. EXTRAORDINARY ITEMS

In 2019, the Township received money from Buckeye Water for a road project in the amount of \$182,000.

13. SUBSEQUENT EVENTS

The United State and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. The impact on the Township's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**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, 2018**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 39,889	\$ 276,762	\$ 316,651
Intergovernmental	38,491	142,439	180,930
Miscellaneous	31,162	6,025	37,187
Total Cash Receipts	<u>109,542</u>	<u>425,226</u>	<u>534,768</u>
Cash Disbursements:			
Current:			
General Government	287,880	500	288,380
Public Safety	-	94,194	94,194
Public Works	416,681	354,373	771,054
Conservation-Recreation	-	1,762	1,762
Capital Outlay	93,159	192	93,351
Debt Service:			
Principal Retirement	-	47,119	47,119
Interest and Fiscal Charges	-	5,142	5,142
Total Cash Disbursements	<u>797,720</u>	<u>503,282</u>	<u>1,301,002</u>
Excess of Receipts Over (Under) Disbursements	(688,178)	(78,056)	(766,234)
Other Financing Receipts (Disbursements)			
Transfers-In	-	10,000	10,000
Transfers-Out	(10,000)	-	(10,000)
Other Financing Sources	1,610,069	610	1,610,679
Total Other Financing Receipts (Disbursements)	<u>1,600,069</u>	<u>10,610</u>	<u>1,610,679</u>
Special Item	-	81,299	81,299
Extraordinary Item	14,180	-	14,180
Net Change in Fund Cash Balance	926,071	13,853	939,924
Fund Cash Balances, January 1	<u>96,927</u>	<u>66,381</u>	<u>163,308</u>
Fund Cash Balances, December 31			
Restricted	-	80,234	80,234
Assigned	714	-	714
Unassigned (Deficit)	1,022,284	-	1,022,284
Fund Cash Balances, December 31	<u>\$ 1,022,998</u>	<u>\$ 80,234</u>	<u>\$ 1,103,232</u>

See notes to financial statements.

**YELLOW CREEK TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

1. REPORTING ENTITY

Description of the Entity

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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**YELLOW CREEK TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

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These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D) permit.

D. Budgetary Process

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

Appropriations

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

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 approve estimated resources.

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.

A summary of 2018 appear in Note 3.

E. Deposits and Investments

The Township's accounting basis includes investment as assets. This basis does not record disbursement for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

F. Capital Assets

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

**YELLOW CREEK TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

H. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first, followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**YELLOW CREEK TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,739,575	\$ 1,733,791	\$ (5,784)
Special Revenue	492,264	517,135	24,871
Total	\$ 2,231,839	\$ 2,250,926	\$ 19,087

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,845,937	\$ 808,434	\$ 1,037,503
Special Revenue	584,748	504,590	80,158
Total	\$ 2,430,685	\$ 1,313,024	\$ 1,117,661

Contrary to ORC 5705.39, the Township had appropriations greater than estimated resources.

Contrary to ORC 5705.41(D), the Township had made expenditures prior to certification.

4. EQUITY IN POOLED CASH

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:

	2018
Demand deposits	\$ 1,103,232
Total Deposits	\$ 1,103,232

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

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Township Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

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

**YELLOW CREEK TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

6. RISK MANAGEMENT

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township’s policy. The Pool covers the following risks:

- General liability and casualty
- Public official’s liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	2018
Cash and investments	\$33,097,416
Actuarial liabilities	7,874,610

7. DEFINED BENEFIT PENSION PLANS

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

The Ohio Revised Code also prescribes contribution rates. For 2018, OPERS members contributed 10.0% of their gross wages and the Township contributed an amount equal to 14.0% of participant’s gross salaries. The Township has paid all contributions required through December 31, 2018.

8. POSTEMPLOYMENT BENEFITS

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

9. DEBT

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest rate
International Plow Truck	\$ 55,083	3.50%
Backhoe	61,582	3.50%
Total	\$ 116,665	

The Township entered into a loan agreement during 2015 with Hancock County Savings Bank to purchase a Plow Truck to be used for road repairs. This loan will be paid annual installments over 5 years with interest at 3.50%.

**YELLOW CREEK TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

9. DEBT (Continued)

The Township entered into a loan agreement during 2016 with Hancock County Savings Bank to purchase a Backhoe to be used for road repairs. This loan will be paid annual installments over 5 years with interest at 3.50%.

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

<u>Year Ended December 31</u>	<u>Plow Truck</u>	<u>Backhoe</u>
2019	29,547	22,715
2020	29,547	22,715
2021	-	22,715
Total	<u>\$ 59,094</u>	<u>\$ 68,145</u>

10. PUBLIC ENTITY RISK POOL

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. 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 exceeding the member's deductible.

11. EXTRAORDINARY ITEMS

In 2018, the Township received grant money from First Energy Solutions for in the amount of \$4,180. The Township also received a road bond from Carroll County Logging in the amount of \$10,000.

**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

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

Yellow Creek Township
Columbia County
1075 Twp Line Road
Wellsville, Ohio 43968

To the Township Trustees:

We have audited, in accordance with auditing standards general accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Yellow Creek Township, Columbia County as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated April 2, 2020, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered Yellow Creek Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Findings 2019-001 and 2019-003 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Yellow Creek 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, opining on compliance was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed two instances of noncompliance or other matters we must report under *Government Auditing Standards* described in the accompanying Schedule of Findings as items 2019-002 and 2019-004.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
April 2, 2020

**YELLOW CREEK TOWNSHIP
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

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

FINDING NUMBER 2019-001

Material Weakness – Financial Reporting

All local public offices should 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, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Ohio Township Handbook provides suggested account and fund balance classifications and clarifies the existing governmental fund type definitions. These accounts classify receipts by fund and source (taxes or charges for services, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned and unassigned. Using these classifications will provide the Township with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

The Township did not properly all receipts and expenditures. Errors were made in recording various transactions. Amounts were not always posted to the correct fund and/or line item. The following reclassifications and adjustments were made to the financial statements and accounting records.

The following is related to 2019:

- Loans Issued and Capital Outlay expenditures in the amount of \$68,715 were recorded in the General Fund for the new loan obtained from Hancock County Savings Bank that was not recorded.
- Miscellaneous Receipts in the amount of \$6,000 were reclassified to the Sale of Capital Assets in the General Fund for the sale of a truck.
- General Government Payments in the amount of \$80,340 were reclassified to Public Works in the General Fund for paving work.
- Public Works Payments in the amount of \$205,714 were reclassified to Capital Outlay in the General Fund for the purchase of a tractor, tractor parts, and a truck.
- Principal Retirement was increased by \$48,002 and Interest and Other Fiscal Charges was increased by \$4,259 and Public Works was decreased by \$52,261 to properly show debt payments made in the Road Equipment Fund.
- The General Unassigned Fund Balance was overstated and the Assigned Fund Balance understated by \$845 for outstanding encumbrances.

The following is related to 2018:

- Intergovernmental Receipts in the amount of \$5,500 were reclassified to Property and Other Local Taxes in the Road and Bridge for Real Estate tax received.
- General Government Payments in the amount of \$102,960 were reclassified to Public Works in the General Fund for paving work.
- Public Works Payments in the amount of \$93,159 were reclassified to Capital Outlay in the General Fund for the purchase of a truck.

**YELLOW CREEK TOWNSHIP
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

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

FINDING NUMBER 2019-001 (CONTINUED)

- Health Payments in the amount of \$81,300 were reclassified to Public Works in the Road and Bridge Fund for paving work.
- Principal Retirement was increased by \$47,119 and Interest and Other Fiscal Charges was increased by \$5,142 and Public Works was decreased by \$52,261 to properly show debt payments made in the Road Equipment Fund.
- The General Unassigned Fund Balance was overstated and the Assigned Fund Balance understated by \$714 for outstanding encumbrances.

Reclassifications and adjustments are reflected within the accompanying financial statements and posted to the accounting system.

Sound financial reporting is the responsibility of the Township and is essential to help ensure the information provided to the readers of financial statements is complete and accurate. To help ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures to identify and correct errors and omissions. In addition, the Township should review the financial statements and notes prior to submission for audit.

Client Response: We have not yet received a response from the client.

FINDING NUMBER 2019-002

Noncompliance

Ohio Rev. Code Chapter 133 allows various methods for subdivisions to incur debt, § 133.22 allows a subdivision to issue anticipatory securities; § 133.10 allows anticipation securities in anticipation of current property tax revenues or in anticipation of current revenues and for any fiscal year from any source or combination of sources, including distributions of any federal or state monies, other than the proceeds of property taxes levied by the subdivision; § 133.14 allows the issuance of securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct; and § 133.18 allows the taxing authority of subdivision by legislation to submit to the electors of the subdivision the question of issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

In 2019, the Township signed one promissory note in the amount of \$68,715 with the Hancock County Savings Bank to finance the purchase of a truck to be used for road maintenance. This type of debt did not meet the requirements set forth in Ohio Rev. Code Chapter 133.

The Ohio Rev. Code contains various methods of incurring debt for Townships. Installment loans and promissory notes with banking institutions are not legal methods debt for Townships. We recommend the Township consult with legal counsel when Trustees anticipate incurring future debt to help ensure it is an allowable type of debt.

Client Response: We have not yet received a response from the client.

**YELLOW CREEK TOWNSHIP
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

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

FINDING NUMBER 2019-003

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentations of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Sound accounting practices require accurately posting estimated receipts to the ledgers to provide information for budget versus actual comparison and to allow the Board of Trustees to make informed decisions regarding budgetary matters.

The original certificate and amendments established the amounts available for expenditures for the Township and the receipts ledger provides the process by which the Township controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

At December 31, 2019, estimated receipts in the Township's ledgers did not agree to the amounts approved by the Budget Commission for the following funds:

	Estimated Receipts	Estimated Receipts	
	Approved by the	Per Township's	
Fund	Budget Commission	Accounting System	Variance
General	\$ 557,872	\$ 558,697	\$ (825)
Road and Bridge	82,900	81,600	1,300
Fire	88,600	94,666	(6,066)
Road District	34,600	33,900	700
Road Equipment	72,200	71,100	1,100
More Grant	-	500	(500)

At December 31, 2018, estimated receipts in the Township's ledgers did not agree to the amounts approved by the Budget Commission for the following funds:

	Estimated Receipts	Estimated Receipts	
	Approved by the	Per Township's	
Fund	Budget Commission	Accounting System	Variance
General	\$ 1,739,575	\$ 1,749,431	\$ (9,856)
Gasoline Tax	98,000	110,000	(12,000)
Road and Bridge	166,509	241,561	(75,052)
Fire	86,900	94,193	(7,293)
Road Equipment	71,210	77,388	(6,178)
More Grant	499	500	(1)

**YELLOW CREEK TOWNSHIP
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

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

FINDING NUMBER 2019-003 (CONTINUED)

The Township did not have procedures in place to accurately post authorized budgetary measures to the accounting system. Additionally, the approved Certificate of Estimated Resources and amendments thereof was not accurately posted to the accounting system.

Failure to accurately post the estimated receipts to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the financial statements.

To effectively control the budgetary cycle and to maintain accountability over receipts, the Township should post to the ledgers, on a timely basis, estimated receipts as certified by the budget commission. The Township should then monitor budget versus actual reports to help ensure amended certificates of resources have been properly posted to the ledgers.

Client Response: We have not yet received a response from the client.

FINDING NUMBER 2019-004

Noncompliance

Ohio Revised Code Section 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenues available for expenditure as certified by the budget commission. In addition, no appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total estimate or amended official estimate.

Fund	Year	Estimated Resources	Appropriations	Variance
Fire	2019	\$ 88,600	\$ 94,366	\$ (5,766)
More Grant	2019	-	500	(500)
General	2018	1,838,191	1,845,419	(7,228)
Gasoline Tax	2018	118,720	128,720	(10,000)
Road and Bridge	2018	193,421	194,086	(665)
Fire	2018	86,900	94,193	(7,293)
Road Equipment	2018	80,778	86,847	(6,069)
More Grant	2018	499	500	(1)

We recommend the Trustees review estimated resources versus appropriations throughout the year. Also, the Trustees should not approve appropriations greater than estimated resources. This could result in the Township spending more money than it receives and could cause possible negative fund balances.

Client Response: We have not yet received a response from the client.

OHIO AUDITOR OF STATE KEITH FABER



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
JUNE 11, 2020**