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# *ALGER & ASSOCIATES, Inc.*

*Certified Public Accountants*

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BROWN TOWNSHIP  
CARROLL COUNTY, OHIO

**REGULAR AUDIT**  
*A&A*

FOR THE YEARS ENDED  
DECEMBER 31, 2013 and 2012





# Dave Yost • Auditor of State

Board of Trustees  
Brown Township  
200 Grant St. P.O. Box 378  
Malvern, OH 44644

We have reviewed the *Independent Auditor's Report* of Brown Township, Carroll County, prepared by Alger & Associates, Inc, for the audit period January 1, 2012 through December 31, 2013. 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. Brown Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

August 19, 2014

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BROWN TOWNSHIP  
CARROLL COUNTY

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# ***ALGER & ASSOCIATES, Inc.***

*Certified Public Accountants*

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## **INDEPENDENT AUDITOR'S REPORT**

Brown Township  
Carroll County  
200 Grant St.  
P.O. Box 378  
Malvern, OH 44644

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of Brown Township, Carroll County, Ohio (the Township) as of and for the years ended December 31, 2013 and 2012.

### ***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 1B 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 of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***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 the Township as of December 31, 2013 and 2012, 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 Brown Township, Carroll County as of December 31, 2013 and 2012, 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 1B.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2014, 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. 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.

**Alger &  
Associates, Inc.**

Digitally signed by Alger & Associates, Inc.  
DN: cn=Alger & Associates, Inc., o=Alger &  
Associates, Inc., ou,  
email=galger53@att.net, c=US  
Date: 2014.07.08 14:40:44 -04'00'

Alger & Associates, Inc.  
Certified Public Accountants  
North Canton, OH  
June 23, 2014



**BROWN TOWNSHIP  
CARROLL COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<b>Governmental Fund Types</b>				<b>Totals</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Permanent</b>	<b>(Memorandum Only)</b>
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$85,884	\$288,814	\$0	\$0	\$374,698
Licenses, Permits and Fees	-	29,379	-	-	29,379
Intergovernmental	16,340	104,043	-	-	120,384
Special Assessments	-	1,646	-	-	1,646
Earnings on Investments	13	-	-	-	13
Miscellaneous	11,905	2,063	-	-	13,968
<b>Total Cash Receipts</b>	<b>114,142</b>	<b>425,945</b>	<b>-</b>	<b>-</b>	<b>540,087</b>
<b>Cash Disbursements:</b>					
Current:					
General Government	92,682	-	-	-	92,682
Public Safety	30,398	21,763	-	-	52,161
Public Works	-	363,064	-	-	363,064
Health	-	24,707	-	-	24,707
Capital Outlay	-	9,260	-	-	9,260
Debt Service:					
Principal Retirement	-	43,901	-	-	43,901
Interest and Fiscal Charges	-	5,612	-	-	5,612
<b>Total Cash Disbursements</b>	<b>123,080</b>	<b>468,307</b>	<b>-</b>	<b>-</b>	<b>591,387</b>
<b>Total Receipts Under Disbursements</b>	<b>(8,938)</b>	<b>(42,362)</b>	<b>-</b>	<b>-</b>	<b>(51,300)</b>
<b>Other Financing Receipts/(Disbursements):</b>					
Transfers In	1,039	-	-	-	1,039
Transfers Out	-	-	(1,039)	-	(1,039)
Advances In	20,000	20,000	-	-	40,000
Advances Out	(20,000)	(20,000)	-	-	(40,000)
<b>Total Other Financing Receipts/(Disbursement)</b>	<b>1,039</b>	<b>-</b>	<b>(1,039)</b>	<b>-</b>	<b>(0)</b>
<b>Net Change in Fund Cash Balances</b>	<b>(7,899)</b>	<b>(42,362)</b>	<b>(1,039)</b>	<b>-</b>	<b>(51,300)</b>
<b>Fund Cash Balance, January 1</b>	<b>76,184</b>	<b>138,598</b>	<b>1,039</b>	<b>13,079</b>	<b>228,901</b>
<b>Fund Cash Balance, December 31</b>					
Nonspendable	-	-	-	13,079	13,079
Restricted	-	96,237	-	-	96,237
Unassigned	68,285	-	-	-	68,285
<b>Fund Cash Balance, December 31</b>	<b>\$68,285</b>	<b>\$96,237</b>	<b>\$0</b>	<b>\$13,079</b>	<b>\$177,600</b>

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

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**BROWN TOWNSHIP  
CARROLL COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Governmental Fund Types				Totals
	General	Special Revenue	Debt Service	Permanent	(Memorandum Only)
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$83,630	\$397,425	\$0	\$0	\$481,055
Licenses, Permits and Fees	-	28,565	-	-	28,565
Intergovernmental	74,316	188,039	-	-	262,355
Special Assessments	-	1,883	-	-	1,883
Earnings on Investments	23	-	-	-	23
Miscellaneous	13,929	8,643	-	-	22,572
<b>Total Cash Receipts</b>	<b>171,898</b>	<b>624,555</b>	<b>-</b>	<b>-</b>	<b>796,453</b>
<b>Cash Disbursements:</b>					
Current:					
General Government	134,334	-	-	-	134,334
Public Safety	30,522	165,445	-	-	195,967
Public Works	-	301,928	-	-	301,928
Health	-	22,859	-	-	22,859
Capital Outlay	3,573	93,286	-	-	96,859
Debt Service:					
Principal Retirement	-	41,698	-	-	41,698
Interest and Fiscal Charges	-	7,794	-	-	7,794
<b>Total Cash Disbursements</b>	<b>168,429</b>	<b>633,010</b>	<b>-</b>	<b>-</b>	<b>801,439</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>3,469</b>	<b>(8,455)</b>	<b>-</b>	<b>-</b>	<b>(4,986)</b>
<b>Other Financing Receipts/(Disbursements):</b>					
Transfers In	-	10,000	-	-	10,000
Transfers Out	(10,000)	-	-	-	(10,000)
Other Financing Sources	-	18,892	-	-	18,892
Other Financing Uses	-	(19,269)	-	-	(19,269)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(10,000)</b>	<b>9,623</b>	<b>-</b>	<b>-</b>	<b>(377)</b>
<b>Net Change in Fund Cash Balances</b>	<b>(6,531)</b>	<b>1,168</b>	<b>-</b>	<b>-</b>	<b>(5,362)</b>
<b>Fund Cash Balance, January 1</b>	<b>82,715</b>	<b>137,430</b>	<b>1,039</b>	<b>13,079</b>	<b>234,263</b>
<b>Fund Cash Balance, December 31</b>					
Nonspendable	-	-	-	13,079	13,079
Restricted	-	138,598	1,039	-	139,637
Unassigned	76,184	-	-	-	76,184
<b>Fund Cash Balance, December 31</b>	<b>\$76,184</b>	<b>\$138,598</b>	<b>\$1,039</b>	<b>13,079</b>	<b>228,901</b>

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

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**BROWN TOWNSHIP  
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**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 Brown Township, Carroll 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 participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Ohio Township Association Risk Management Authority (OTARMA) OTARMA, a risk-sharing pool, provides property and casualty coverage to Ohio Townships.

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 and Investments**

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

The Township values Certificate of Deposits at cost.

**D. Fund Accounting**

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

BROWN TOWNSHIP  
CARROLL COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)

1. Summary of Significant Accounting Policies (continued)

D. Fund Accounting (continued)

1. General Fund

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

2. 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:

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

Fire District Fund - This fund receives tax money to provide fire protection services.

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

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Funds

Debt Service Fund - This fund was established to accumulate funds used to repay debt.

4. Permanent Funds

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant permanent fund:

Cemetery Endowment Fund - This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

**BROWN TOWNSHIP  
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or 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 re-appropriated in the subsequent year. The Township did not encumber all commitments required by Ohio laws.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

**F. 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:

**1. Nonspendable**

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

BROWN TOWNSHIP  
CARROLL COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)

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

F. **Fund Balance (Continued)**

2. **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.

3. **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.

4. **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.

5. **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.

G. **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.



**BROWN TOWNSHIP  
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**2. Equity in Pooled Deposits and Investments**

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

	2013	2012
Demand deposits	\$166,531	\$217,845
Certificates of deposit	11,069	11,056
Total deposits	\$177,600	\$228,901

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts

	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$103,150	\$115,181	\$12,031
Special Revenue	371,427	425,945	54,518
Total	\$474,577	\$541,126	\$66,549

2013 Budgeted vs. Actual Budgetary Basis Expenditures

	Appropriation	Budgetary	
Fund Type	Authority	Expenditures	Variance
General	\$155,416	\$123,080	\$32,336
Special Revenue	543,593	468,307	75,286
Debt Service	1,039	1,039	0
Permanent	2,360	0	2,360
Total	\$702,408	\$592,426	\$109,982

**BROWN TOWNSHIP  
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**3. Budgetary Activity (continued)**

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$103,150	\$171,898	\$68,748
Special Revenue	519,706	653,447	133,741
Total	\$622,856	\$825,345	\$202,489

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$182,392	\$178,429	\$3,963
Special Revenue	660,608	652,279	8,329
Debt Service	1,039	0	1,039
Permanent	1,838	0	1,838
Total	\$845,877	\$830,708	\$15,169

Contrary to Ohio law, the Township did not properly encumber all commitments required by Ohio Revised Code Section 5705.41(D) in 2013 and 2012. In addition, the Township did not pass the appropriation measure on or about the first day of the fiscal year.

**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.

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, 2013 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$53,400	4.13%
Lease	18,191	6.10%
Total	\$ 71,591	

**BROWN TOWNSHIP  
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**5. Debt (continued)**

The Township issued general obligation bonds to finance the purchase of a new tractor used for Township road maintenance. The Township's taxing authority collateralized the bonds.

The Township entered into a lease for the purchase of a new dump truck. The lease is collateralized by the truck.

The prior audit did not disclose the debt obligation for a Backhoe purchased in 2009. This debt was paid off in 2013. The Township made payments of \$13,937 and \$14,655 for 2012 and 2013 respectively. After final payment in 2013, the balance remaining in the debt service fund of \$1,039 was transferred to the General Fund per Ohio Rev. Code § 5705.14(D).

Prior to 2012, the Township had a Volunteer Fire Department. On January 1, 2012 the Township's Volunteer Fire Department joined a fire district with the Village of Malvern. The district is known as the Great Trail Fire District. All property taxes levied for the Fire District is distributed by the County Auditor to the Fire District. The Township had a fire fund until December of 2013, for the purpose of unemployment and workers compensation benefits. The final funds was given to the district in December of 2013. The Township issued general obligation bonds to finance the purchase of a new fire truck for the purpose of providing fire protection services to the Township. The Township's taxing authority collateralized the bonds. As of January 1, 2012, the Great Trail Fire District assumed the debt of \$183,600.

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

Year Ending December 31:	Truck Lease	Tractor Bonds
2014	\$ 19,302	\$ 14,703
2015	-	14,787
2016	-	14,747
2017	-	14,786
	\$ 19,302	\$ 59,023

**6. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries, with the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

**BROWN TOWNSHIP  
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2012 (the latest information available).

	2013	2012
Assets	\$34,954,286	\$34,771,270
Liabilities	8,486,363	9,355,082
Net Position	\$26,467,923	\$25,416,188

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment.

**BROWN TOWNSHIP  
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**7. Risk Management (continued)**

As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$4,492.

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.

Contributions to OTARMA	
2013	2012
\$8,168	\$8,271

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

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# *ALGER & ASSOCIATES, Inc.*

*Certified Public Accountants*

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

Brown Township  
Carroll County  
200 Grant St.  
P.O. Box 378  
Malvern, OH 44644

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' Government Auditing Standards, the financial statement of Brown Township, Carroll County, (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statement, and have issued our report thereon dated June 23, 2014 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

### *Internal Control Over Financial Reporting*

As part of our financial statement audit, we considered the 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 opinion on the financial statement, 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 preceding 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 finding 2013-03 described in the accompanying schedule of findings to be a material weakness.

***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, opining 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, 2013-01 and 2013-02.

***Entity's Response to Findings***

The Township's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

***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.

**Alger &  
Associates, Inc.**  
Alger & Associates, Inc.  
Certified Public Accountants  
North Canton, OH  
June 23, 2014

Digitally signed by Alger & Associates, Inc.  
DN: cn=Alger & Associates, Inc., o=Alger & Associates, Inc., ou,  
email=galger53@att.net, c=US  
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BROWN TOWNSHIP  
CARROLL COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012

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

FINDING NUMBER 2013-01

**Noncompliance Citations**

**Ohio Revised Code Section 5705.41(D)** provides that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officers' 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 no certificate is furnished as required, upon receipt of the clerk/treasurers' certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the District may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

If the amount involved is less than \$3,000 the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of Board of Trustees if such expenditure is otherwise valid.

2. **Blanket Certificate** – Fiscal Officer 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 end of 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 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 extend beyond the current year. More than one super blanket may be outstanding a particular time for any line item appropriation.

**BROWN TOWNSHIP  
CARROLL COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012**

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

**FINDING NUMBER 2013-01 (continued)**

The Fiscal Officer did not certify or record the amount against the applicable appropriation accounts for 64% and 40% of tested 2012 and 2013 expenditures respectively. The Township did not utilize the certification exceptions described above for those expenditures lacking prior certification. Failure to certify the availability of funds and encumber appropriations could result in overspending in negative cash balances. 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, the Fiscal Officer should certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

The Fiscal Officer should certify purchases to which section Ohio Revised Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language which Ohio Revised Code Section 5705.41(D) requires authorizing disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of Ohio Revised Code Section 5705.41(D) are satisfied. The Township should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**FINDING NUMBER 2013-02**

**Noncompliance Citations**

Ohio Revised Code Section 5705.38 requires, in part, that on or about the first day of the fiscal year, an appropriation measure be passed. Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. As the Township did not pass an appropriation measure for 2013 until February 4, 2013 and as expenditures are limited by the appropriations established for each fund, all expenditures made by the Township in 2013 until the passage were not in compliance with the Ohio Revised Code.

Failure to pass an appropriation measure, which serves as a tool by which expenditures can be monitored could result in overspending. The Township should pass an appropriation measure as required so that expenditures can be monitored and compliance with the Ohio Revised Code provisions can be attained. In the event the permanent appropriations cannot be passed as prescribed, a temporary appropriations may be passed until such time as the permanent appropriations are.

BROWN TOWNSHIP  
CARROLL COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012

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

FINDING NUMBER 2013-03

**Material Weakness**

**Proper Classification of Receipts and Disbursements**

The Fiscal Officer did not correctly post all receipts and disbursements in 2012 and 2013, which resulted in adjustments and reclassifications. The Fiscal Officer has agreed to the reclassifications and the adjustments and these corrected amounts are reflected in the accompanying financial statements. The adjustments have also been posted to the Township ledgers.

Fund Type	<u>2013</u>	<u>2012</u>
Special Revenue		
<i>Reclassification From</i>		
Public Works	(\$ 19,302)	(\$ 19,302)
Capital Outlay	(30,212)	(30,190)
<i>Reclassification To</i>		
Principal Retirement	43,901	41,698
Interest and Fiscal Charges	5,612	7,794

**Managements' Response:** The Township will review and implement procedures to correct the weaknesses noted above.

**BROWN TOWNSHIP  
CARROLL COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	ORC §505.601 Township reimbursed its officers/employees for prescription co-pays and out-of-pocket premium associated with insurance coverage of an amount of \$3,870.	Yes	
2011-02	ORC §505.601 Township reimbursed its officers/employees for prescription co-pays and out-of-pocket premium associated with insurance coverage of an amount of \$1,000.	Yes	
2011-03	ORC §5705.41(D) Certification of available funds.	No	See Finding 2013-01
2011-04	ORC §5705.38 Appropriation measure was not passed on or about the first day of the fiscal year. And ORC §5705.41 (B) Expenditures exceeded appropriations.	No	See Finding 2013-02
2011-05	Material Weakness Proper classification of receipts and disbursements.	No	See Finding 2013-03



# Dave Yost • Auditor of State

**BROWN TOWNSHIP**

**CARROLL 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  
SEPTEMBER 02, 2014**