



Dave Yost • Auditor of State

**BROWN TOWNSHIP
VINTON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Brown Township
Vinton County
23283 Cherry Ridge Road
New Plymouth, Ohio 45654

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Brown Township, Vinton 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 § 117.38 and Ohio Administrative Code § 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 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 1 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, Vinton County, Ohio, 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 § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during 2012, the Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 our report dated December 2, 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.



Dave Yost
Auditor of State

Columbus, Ohio

December 2, 2014

**BROWN TOWNSHIP
VINTON COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$66,561	\$2,917	\$69,478
Intergovernmental	92,724	110,230	202,954
Earnings on Investments	96	94	190
Miscellaneous	1,711		1,711
<i>Total Cash Receipts</i>	<u>161,092</u>	<u>113,241</u>	<u>274,333</u>
Cash Disbursements			
Current:			
General Government	133,220		133,220
Public Safety		2,500	2,500
Public Works		30,506	30,506
Health	25		25
Capital Outlay	29,000		29,000
<i>Total Cash Disbursements</i>	<u>162,245</u>	<u>33,006</u>	<u>195,251</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,153)</u>	<u>80,235</u>	<u>79,082</u>
<i>Fund Cash Balances, January 1</i>	<u>77,206</u>	<u>81,342</u>	<u>158,548</u>
Fund Cash Balances, December 31			
Restricted		161,577	161,577
Assigned	76,053		76,053
<i>Fund Cash Balances, December 31</i>	<u><u>\$76,053</u></u>	<u><u>\$161,577</u></u>	<u><u>\$237,630</u></u>

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

**BROWN TOWNSHIP
VINTON COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$63,278	\$2,989	\$66,267
Intergovernmental	74,720	101,987	176,707
Earnings on Investments	114	81	195
Miscellaneous	1,821		1,821
<i>Total Cash Receipts</i>	<u>139,933</u>	<u>105,057</u>	<u>244,990</u>
Cash Disbursements			
Current:			
General Government	129,421		129,421
Public Safety	381	2,827	3,208
Public Works		66,985	66,985
Debt Service:			
Principal Retirement	3,436		3,436
Interest and Fiscal Charges	236		236
<i>Total Cash Disbursements</i>	<u>133,474</u>	<u>69,812</u>	<u>203,286</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>6,459</u>	<u>35,245</u>	<u>41,704</u>
<i>Fund Cash Balances, January 1</i>	<u>70,747</u>	<u>46,097</u>	<u>116,844</u>
Fund Cash Balances, December 31			
Restricted		81,342	81,342
Assigned	77,206		77,206
<i>Fund Cash Balances, December 31</i>	<u>\$77,206</u>	<u>\$81,342</u>	<u>\$158,548</u>

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

**BROWN TOWNSHIP
VINTON 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, Vinton 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 and fire protection. The Township contracts with the Village of McArthur to provide fire services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a 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.

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 maintains an interest-bearing checking account..

D. Fund Accounting

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

1. General Fund

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

**BROWN TOWNSHIP
VINTON COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

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:

Motor Vehicle License Tax Fund - This fund receives motor vehicle license tax money for constructing, maintaining, and repairing Township roads.

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

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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law.

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:

**BROWN TOWNSHIP
VINTON COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

1. Nonspendable

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

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
VINTON COUNTY**

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

2. Equity in Pooled Deposits and Investments

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:

	<u>2013</u>	<u>2012</u>
Demand deposits	\$237,630	\$158,548

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

3. Budgetary Activity

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

2013 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$68,150	\$161,092	\$92,942
Special Revenue	87,500	113,241	25,741
Total	<u>\$155,650</u>	<u>\$274,333</u>	<u>\$118,683</u>

2013 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$175,475	\$170,184	\$5,291
Special Revenue	148,949	34,946	114,003
Total	<u>\$324,424</u>	<u>\$205,130</u>	<u>\$119,294</u>

2012 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$91,000	\$139,933	\$48,933
Special Revenue	97,746	105,057	7,311
Total	<u>\$188,746</u>	<u>\$244,990</u>	<u>\$56,244</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$180,604	\$133,649	\$46,955
Special Revenue	158,697	71,533	87,164
Total	<u>\$339,301</u>	<u>\$205,182</u>	<u>\$134,119</u>

**BROWN TOWNSHIP
VINTON COUNTY**

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

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.

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.

5. Retirement System

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

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

6. Risk Management

Risk Pool Membership

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.

**BROWN TOWNSHIP
VINTON COUNTY**

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

6. Risk Management (Continued)

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:

	<u>2013</u>	<u>2012</u>
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. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$4,000.

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.

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2012</u>
\$ 4,609	\$4,588

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

Brown Township
Vinton County
23283 Cherry Ridge Road
New Plymouth, Ohio 45654

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 statements of Brown Township, Vinton County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated December 2, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We also noted the Township adopted the Governmental Accounting Standards Statement No. 54.

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 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 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. We consider findings 2013-001, 2013-002, and 2013-005 described in the accompanying Schedule of Findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-006 described in the accompanying Schedule of Findings to be a significant deficiency.

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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 an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as items 2013-001 through 2013-004.

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.

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

Dave Yost
Auditor of State

Columbus, Ohio

December 2, 2014

**BROWN TOWNSHIP
VINTON 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 2013-001

Noncompliance/Material Weakness

Ohio Admin. Code §§ 117-2-01(D)(3) and (5) state that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

Monthly reconciliations were performed by the Fiscal Officer; however, multiple items were noted as being on the outstanding checklist that were not outstanding as well as adjustments being noted in the UAN system that lacked support.

As a result, proof of cash procedures were required to be performed for 2013 which identified that adjustments and transactions were made in the UAN system in order to reconcile. These transactions were made up of the following:

- Warrants which were processed through UAN and shown as cleared but were not cleared through the bank;
- Receipts posted twice in the accounting system;
- Receipts posted to the UAN system with no deposit being noted; and,
- Receipts being noted on the deposit slip and clearing the bank that were not posted to UAN.

In addition to the items listed above, a large number of voided checks were noted for the audit period. During the audit period, there were in excess of 60 voided transactions.

These transactions can result in cumbersome reconciliations and can lead to inaccurate balances and errors going undetected for long periods of time.

We recommend the Fiscal Officer prepare the monthly bank to book reconciliations in a timely manner. We also recommend the Fiscal Officer immediately investigate any variances to identify the cause and take necessary procedures to correct or properly record the item. We further recommend the Board of Trustees review, and approve monthly reconciliations during their monthly meetings.

FINDING NUMBER 2013-002

Noncompliance/Material Weakness

Ohio Rev. Code § 505.24(C) provides, in part, by unanimous vote, a board of township trustees may adopt a method of compensation consisting of an annual salary to be paid in equal monthly payments. The amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution. Each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed. As explained in Auditor of State Bulletin 2013-002, townships allocating one hundred percent of officials' salaries to restricted funds will be subject to audit findings. Auditor of State Bulletin 2011-007 describes requirements under Ohio Rev. Code § 505.24(C).

**BROWN TOWNSHIP
VINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-002 (Continued)

Noncompliance/Material Weakness – Ohio Rev. Code § 505.24(C) (Continued)

For 2013 and 2012, the Board of Trustees were paid 100% from the Gasoline Tax Fund. Moreover, the Board of Trustees did not complete certifications as required under Ohio Rev. Code § 505.24(C) and addressed in Auditor of State Bulletins 2013-002 and 2011-007. Township salaries and fringe benefits in the amount of \$26,955 in 2013 and \$29,405 in 2012 were paid from the Gasoline Tax Fund.

The Fiscal Officer posted these adjustments to the Township's records and they are reflected in the accompanying financial statements.

We recommend the Township review Auditor of State Bulletins 2013-002 and 2011-007 regarding legislative changes governing township fiscal officer and trustee compensation and what is required of township trustees and fiscal officers under the law. We further recommend each township trustee and fiscal officer complete the certification when compensated from funds other than the General Fund.

FINDING NUMBER 2013-003

Noncompliance

Ohio Rev. Code § 5705.40 provides, in part, that a subdivision may amend or supplement its appropriation measure provided the entity complies with the same provisions of law as are used in making the original appropriation. In addition, Ohio courts have held that a board or officer whose judgment and discretion is required, was chosen because they were deemed fit and competent to exercise that judgment and discretion and unless power to substitute another in their place has been given, such board or officer cannot delegate these duties to another. Following such reasoning, a Board of Trustees would be prohibited from delegating duties statutorily assigned to it, such as the duty of amending appropriations. See C.B. Transportation, Inc. v. Butler County Board of Mental Retardation, 60 Ohio Misc. 71, 397 N.E.2d 781 (C.P. 1979); Burkholder v. Lauber, 6 Ohio Misc. 152, 216 N.E.2d (C.P. 1965).

At December 31, 2012, appropriations as approved by the Board of Trustees did not agree to the Township's accounting system. The variances are as follows:

<u>Fund</u>	<u>Approved Appropriations</u>	<u>Posted Appropriations</u>	<u>Variance</u>
Motor Vehicle License Tax	\$30,500	\$29,062	\$1,438
Gasoline Tax	123,000	111,747	11,253
Fire	3,428	3,227	201

**BROWN TOWNSHIP
VINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-003 (Continued)

Noncompliance – Ohio Rev. Code § 5705.40 (Continued)

At December 31, 2013, appropriations as approved by the Board of Trustees did not agree to the Township's accounting system. The variances are as follows:

<u>Fund</u>	<u>Approved Appropriations</u>	<u>Posted Appropriations</u>	<u>Variance</u>
General	\$175,300	\$174,600	\$700
Motor Vehicle License Tax	31,628	30,800	828
Gasoline Tax	111,600	100,500	11,100
Fire	4,000	4,600	(600)

We recommend the Board of Trustees approve all appropriations amendments, record approval in the Board minutes, and file all appropriation amendments with the County Auditor in order to receive confirmation from the County auditor that appropriations do not exceed estimated resources. The Fiscal Officer should only post legislatively approved amendments.

FINDING NUMBER 2013-004

Noncompliance

Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing entity 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 §§ 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.

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.

**BROWN TOWNSHIP
VINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-004 (Continued)

Noncompliance – Ohio Rev. Code § 5705.41(D)(1) (Continued)

2. Blanket Certificates - Fiscal officers may prepare so-called “blanket” certificates 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. Purchase orders may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.
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.

Twenty-one percent of the transactions tested were not certified by the Fiscal Officer at the time the commitment was incurred and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund 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 funds exceeding budgetary spending limitations, we recommend that 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 Fiscal officer certify purchases to which § 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language § 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of § 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2013-005

Material Weakness

Sound financial reporting is the responsibility of the Fiscal Officer and Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

**BROWN TOWNSHIP
VINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-005 (Continued)

Material Weakness (Continued)

As a result of the audit procedures performed, the following errors were noted in the financial statements that required audit adjustment or reclassification:

For the year ended December 31, 2012:

- In the General Fund, general government disbursements and beginning balance were reduced by \$3,162 to agree beginning balance to the prior year ending balance.
- In the General Fund, general government disbursements were increased by \$29,405 and Gasoline Tax Fund public works disbursements were reduced by \$29,405 for Trustee salaries and related benefits paid from the Gasoline Tax Fund without timesheet certifications being maintained.
- In the General Fund, general government disbursements were reduced by \$3,672, principal retirement was increased by \$3,436, and interest and fiscal charges was increased by \$236 due to debt payments being misclassified.
- In the General Fund, tax receipts were reduced by \$2,410 and intergovernmental and miscellaneous receipts were increased by \$589 and \$1,821, respectively, due to receipts being misclassified.
- In the General Fund, tax receipts were reduced and beginning balance was increased by \$5,557 due to a disbursement written by the Township to the Township in 2011 then deposited and recorded as revenue in 2012.
- In the General Fund, tax receipts were reduced by \$413 and Fire Fund intergovernmental receipts were increased by \$413 due to Fire Fund homestead and rollback receipts being posted to the wrong fund.
- In the General Fund, tax receipts were reduced by \$1,188 and Fire Fund tax receipts were increased by \$1,188 due to Fire Fund tax receipts being posted to the wrong fund.
- In the General Fund, general government disbursements were reduced by \$5,941 due to a disbursement written by the Township to the Township in 2012 then deposited and recorded as revenue in 2013.
- In the General Fund, year end fund balance was reclassified from unassigned to assigned in the amount of \$77,206
- In the Gasoline Tax Fund, public works disbursements and beginning balance were reduced by \$915 to agree beginning balance to prior year ending balance.
- In the Gasoline Tax Fund, public works disbursements were reduced by \$2,500 and Fire Fund public safety disbursements were increased by \$2,500 due to fire contracts being paid from the wrong fund.
- In the Fire Fund, tax receipts were increased by \$1,801 and charges for services receipts were reduced by \$1,801 due to tax revenue being misclassified.

For the year ended December 31, 2013:

- In the General Fund, general government disbursements were increased by \$26,955 and Gasoline Tax Fund public works disbursements were reduced by \$26,955 for Trustee salaries and related benefits paid from the Gasoline Tax Fund without timesheet certifications being maintained.
- In the General Fund, tax receipts were reduced by \$86,566 and intergovernmental and miscellaneous receipts were increased by \$84,855 and \$1,711, respectively, due to receipts being misclassified.

**BROWN TOWNSHIP
VINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-005 (Continued)

Material Weakness (Continued)

- In the General Fund, tax receipts were reduced by \$5,941 due to a disbursement written by the Township to the Township in 2012 then deposited and recorded as revenue in 2013.
- In the General Fund, tax receipts were reduced by \$2,917 and Fire Fund tax receipts were increased by \$2,917 due to Fire Fund tax receipts being posted to the wrong fund.
- In the General Fund, intergovernmental receipts were reduced by \$386 and Fire Fund intergovernmental receipts were increased by \$386 due to Fire Fund homestead and rollback receipts being posted to the wrong fund.
- In the General Fund, general government disbursements were reduced by \$1,500 and Fire Fund public safety disbursements were increased by \$1,500 due to fire contract being paid from the wrong fund.
- In the General Fund, general government and health disbursements were reduced by \$19,000 and \$10,000, respectively, and capital outlay disbursements were increased by \$29,000 due to equipment purchases being misclassified.
- In the General Fund, intergovernmental receipts were reduced by \$225 and general government disbursements were reduced by \$1,438 due to a returned deposit not posted and double posted disbursements, respectively.
- In the General Fund, year end fund balance was reclassified from unassigned to assigned in the amount of \$76,053.
- In the Motor Vehicle License Tax Fund, intergovernmental receipts were reduced by \$4,887 due to incorrectly posted receipts.
- In the Gasoline Tax Fund, intergovernmental receipts were increased by \$2,506 and public works disbursements were reduced by \$1,164 due to unrecorded receipt and double posted and incorrectly posted disbursements, respectively.

The Fiscal Officer did not follow the UAN established account codes for all postings. This resulted in audit adjustments and reclassifications to the financial statements as noted above.

The audited financial statements reflect the adjustments noted above and the Fiscal Officer posted the adjustments to the accounting system.

We recommend the Fiscal Officer review 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 financial statements and notes are complete and accurate. We further recommend the Board of Trustees adopt policies and procedures including a final review of the financial statements and notes by the Fiscal Officer and Board of Trustees.

**BROWN TOWNSHIP
VINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-006

Significant Deficiency

Monitoring controls are regular management and supervisory activities established to oversee whether management's objectives are being achieved, covering operational and legal compliance, as well as financial control objectives. Effective monitoring controls should identify unexpected results or exceptions (including significant compliance exceptions), investigate underlying causes, and take corrective action.

The Board of Trustees has not implemented proper disbursement controls to ensure all checks issued by the Township are for proper public purpose. During the audit period, payments were made to Bulk Plants on two occasions in which an identical invoice was paid twice. Checks #13039 and 13045 were both issued to Bulk Plants during 2012 in the amount of \$1,469.62. During 2013, checks 13319 and 13351 were both issued to Bulk Plants in the amount of \$1,739.92. The same invoice was supplied as support for check 13039 and 13045 and for checks 13319 and 13351. No supporting documentation was maintained supporting that credits were received for these overpayments. However, further inquiry with the Fiscal Officer and Bulk Plants' Accounts Manager corroborated the Township received credit for these overpayments.

We recommend the Board of Trustees establish a purchasing and payment policy which outlines the process for review and payment of disbursements to ensure goods or services are only being paid once.

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

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Dave Yost • Auditor of State

BROWN TOWNSHIP

VINTON 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
DECEMBER 16, 2014**