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*ALGER & ASSOCIATES, Inc.*



*PROFESSIONAL FINANCIAL AND COMPLIANCE AUDIT SERVICES*

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BROWN TOWNSHIP  
CARROLL COUNTY, OHIO

**A&A**  
*REGULAR AUDIT*

FOR THE PERIOD

December 31, 2015 AND 2014

Karen S. Alger, CPA, CGFM –  
Managing Partner  
6927 Burgundy Ave. NW  
North Canton, OH 44720  
Phone (330)-354-2327  
Fax (330) 768-7574

Gary L. Alger, CPA  
Partner  
6927 Burgundy Ave NW  
North Canton, OH 44720  
Phone (330) 353-5851  
Fax (330) 768-7574





# Dave Yost • Auditor of State

Board of Trustees  
Brown Township  
200 Grant Street  
P. O. Box 378  
Malvern, Ohio 44644

We have reviewed the *Independent Auditor's Report* of Brown Township, Carrol County, prepared by Alger & Associates, Inc., for the audit period January 1, 2014 through December 31, 2015. 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

July 5, 2016



BROWN TOWNSHIP  
CARROLL COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor's Report.....	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2015 .....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2014 .....	4
Notes to the Financial Statements .....	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	13
Schedule of Findings .....	15
Schedule of Prior Audit Findings .....	17

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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 of the cash balances, receipts and disbursements by fund type, and related notes of Brown Township, Carroll County, (the Township) as of and for the years ended December 31, 2015 and 2014.

### *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 opinions.

6927 Burgundy Ave. N.W  
North Canton, OH 44720  
Phone (330) 353-5851 – Fax (330) 768-7578

***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 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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably 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 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 the Township as of December 31, 2015 and 2014, 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, 2015 and 2014, 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 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2016, 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=galgers53@att.net, c=US  
Date: 2016.06.21 18:32:15 -0400'

Alger & Associates, Inc.  
Certified Public Accountants  
North Canton, Ohio  
June 3, 2016



**BROWN TOWNSHIP  
CARROLL COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$84,352	\$258,449	\$0	\$342,801
Licenses, Permits and Fees	-	33,059	-	33,059
Intergovernmental	21,504	138,802	-	160,306
Special Assessments	-	1,711	-	1,711
Earnings on Investments	-	0	160	160
Miscellaneous	25,788	890	-	26,678
	<u>131,644</u>	<u>432,911</u>	<u>160</u>	<u>564,715</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
General Government	76,536	-	-	76,536
Public Safety	30,389	-	-	30,389
Public Works	-	400,606	-	400,606
Health	-	29,666	-	29,666
Capital Outlay	-	9,141	-	9,141
Debt Service:				
Principal Retirement	-	25,767	-	25,767
Interest and Fiscal Charges	-	3,117	-	3,117
	<u>106,925</u>	<u>468,297</u>	<u>-</u>	<u>575,222</u>
<b>Total Cash Disbursements</b>				
Total Receipts Over/(Under) Disbursements	<u>24,719</u>	<u>(35,386)</u>	<u>160</u>	<u>(10,507)</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Advances In	12,500	12,500	-	25,000
Advances Out	(12,500)	(12,500)	-	(25,000)
	<u>24,719</u>	<u>(35,386)</u>	<u>160</u>	<u>(10,507)</u>
<b>Net Change in Fund Cash Balances</b>				
Fund Cash Balance, January 1	<u>34,972</u>	<u>97,876</u>	<u>13,418</u>	<u>146,266</u>
<b>Fund Cash Balance, December 31</b>				
Nonspendable	-	-	13,578	13,578
Restricted	-	62,490	-	62,500
Assigned	59,390	-	-	59,390
Unassigned	291	-	-	291
<i>Fund Cash Balance, December 31</i>	<u>\$59,691</u>	<u>\$62,490</u>	<u>\$13,578</u>	<u>\$135,759</u>

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

**BROWN TOWNSHIP  
CARROLL COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$85,835	\$283,017	\$0	\$368,852
Licenses, Permits and Fees	-	28,506	-	28,506
Intergovernmental	7,045	111,975	-	119,020
Special Assessments	-	1,672	-	1,672
Earnings on Investments	8	5	339	352
Miscellaneous	6,772	51,179	-	57,951
<b>Total Cash Receipts</b>	<b>99,660</b>	<b>476,354</b>	<b>339</b>	<b>576,353</b>
<b>Cash Disbursements:</b>				
Current:				
General Government	102,450	-	-	102,450
Public Safety	30,523	-	-	30,523
Public Works	-	356,340	-	356,340
Health	-	26,022	-	26,022
Capital Outlay	-	111,115	-	111,115
Debt Service:				
Principal Retirement	-	30,692	-	30,692
Interest and Fiscal Charges	-	3,313	-	3,313
<b>Total Cash Disbursements</b>	<b>132,973</b>	<b>527,482</b>	<b>-</b>	<b>660,455</b>
<b>Total Receipts Over Disbursements</b>	<b>(33,313)</b>	<b>(51,128)</b>	<b>339</b>	<b>(84,102)</b>
<b>Other Financing Receipts/(Disbursements):</b>				
Other Debt Proceeds	-	52,767	-	52,767
Advances In	20,000	20,000	-	40,000
Advances Out	(20,000)	(20,000)	-	(40,000)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>-</b>	<b>52,767</b>	<b>-</b>	<b>52,767</b>
<b>Net Change in Fund Cash Balances</b>	<b>(33,313)</b>	<b>1,639</b>	<b>339</b>	<b>(31,335)</b>
Fund Cash Balance, January 1 <i>restated</i>	68,285	96,237	13,079	177,601
<b>Fund Cash Balance, December 31</b>				
Nonspendable	-	-	13,418	13,418
Restricted	-	97,876	-	97,876
Unassigned	34,972	-	-	34,972
<b>Fund Cash Balance, December 31</b>	<b>\$34,972</b>	<b>\$97,876</b>	<b>\$13,418</b>	<b>\$146,266</b>

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

**BROWN TOWNSHIP  
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**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 and cemetery maintenance services. The Township contracts with the Great Trail Joint Fire District to provide fire protection and rescue services.

The Township participates in a public entity risk pool. Notes 6 to the financial statements provides additional information for these entities. This organization is: Ohio Township Association Risk Management Authority (OTARMA). This is a risk sharing pool available to all Townships for property and casualty insurance coverage.

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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 Section 117-2-03(D) permit.

**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, 2015 AND 2014  
(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.

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

**3. Permanent Funds**

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). 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.

**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.

BROWN TOWNSHIP  
CARROLL COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)

1. Summary of Significant Accounting Policies (continued)

E. Budgetary Process (continued)

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2015 and 2014 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. Non-spendable

The Township classifies assets as *non-spendable* 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.

BROWN TOWNSHIP  
CARROLL COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)

1. Summary of Significant Accounting Policies (continued)

F. Fund Balance (continued)

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.

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:

	2015	2014
Demand deposits	\$125,039	\$135,159
Certificates of deposit	10,720	11,107
Total deposits	<u>135,759</u>	<u>146,266</u>

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

**BROWN TOWNSHIP  
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$103,150	\$131,644	\$28,494
Special Revenue	397,197	432,911	35,714
Permanent	0	160	160
Total	\$500,347	\$564,715	\$64,368

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$112,611	\$106,925	\$5,686
Special Revenue	494,854	468,297	26,557
Permanent	697	0	697
Total	\$608,162	\$575,222	\$32,940

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$99,660	\$99,660	\$0
Special Revenue	463,853	529,121	65,268
Permanent	(339)	339	678
Total	\$563,174	\$629,120	\$65,946

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$150,667	\$132,973	\$17,694
Special Revenue	480,305	527,482	(47,177)
Permanent	340	0	340
Total	\$631,312	\$660,455	(\$29,143)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Road & Bridge fund by \$19,613 and \$56,804 for the year ended December 31, 2015 and 2014 respectively.

**BROWN TOWNSHIP  
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(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.

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, 2015 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$27,799	4.13%
2014 Backhoe Loan	40,100	2.71%
Total	\$67,899	

The Township issued general obligation bonds to finance the purchase of a new dump truck and plowing equipment for Township road maintenance. The Township's taxing authority collateralized the bonds.

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

Year ending December 31:	Backhoe	Tractor Bonds
2016	\$14,097	\$14,747
2017	14,097	14,786
2018	14,097	0
Total	\$42,291	\$29,533

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

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10%, of their gross salaries and the Township contributed an amount 14%, of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.



**BROWN TOWNSHIP  
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(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, 2015, 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.

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, 2015 and 2014 (the latest information available):

	<u>2015</u>	<u>2014</u>
Assets	\$37,313,311	\$35,970,263
Liabilities	8,418,518	8,912,432
Net Position	\$28,894,793	\$27,057,831

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$4,000

**BROWN TOWNSHIP  
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**7. Risk Management (continued)**

Financial Position (continue)

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<b><u>Contributions to OTARMA</u></b>	
<b><u>2015</u></b>	<b><u>2014</u></b>
\$8,533	\$8,560

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.

**8. Contingent Liabilities**

Management believes there are no pending claims or lawsuits.



# 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 statements of the cash balances, receipts, and disbursements by fund type of Brown Township, Carroll County, (the Township) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated June 3, 2016, 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 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 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.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

6927 Burgundy Ave. N.W  
North Canton, OH 44720  
Phone (330) 353-5851 – Fax (330) 768-7578

### ***Compliance and Other Matters***

As part of reasonably assuring whether the Entity'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 item 2015-002.

### ***Township's Response to Findings***

The Township's response to the findings identified in our audit are 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.**

Digitally signed by Alger &  
Associates, Inc.  
DN: cn=Alger & Associates, Inc.,  
o=Alger & Associates, Inc., ou,  
email=galger53@att.net, c=US  
Date: 2016.06.21 18:31:54 -04'00'

Alger & Associates, Inc.  
Certified Public Accountants  
North Canton, Ohio  
June 3, 2016

BROWN TOWNSHIP  
CARROLL COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014

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

FINDING NUMBER 2015-001

**Material Weakness**

**Proper Classification of Receipts and Disbursements**

The Fiscal Officer did not correctly post all receipts and disbursements in 2014 and 2015, which resulted in reclassifications and adjustment. The principal payment and interest on debt were paid from the capital outlay account, in addition the loan proceeds for a new backhoe was not posted to the UAN accounting system. The Fiscal Officer has agreed to the reclassifications and adjustment. The corrected amounts are reflected in the accompanying financial statements.

Fund Type	<u>2015</u>	<u>2014</u>
Special Revenue		
<u>Motor Vehicle License Fund</u>		
<i>Reclassification From</i>		
Capital Outlay	(\$13,100)	(\$32,895)
<i>Reclassification To</i>		
Principal Retirement	\$13,100	\$30,692
Interest and Fiscal Charges		\$2,203
<u>Road and Bridge</u>		
<i>Reclassification From</i>		
Capital Outlay	(\$12,667)	
<i>Reclassification To</i>		
Principal Retirement	\$12,667	
<u>Road and Bridge</u>		
<i>Book Proceeds &amp; Book Value of new Backhoe</i>		
Other Debt Proceeds		\$52,767
Capital Outlay		\$52,767

**FINDING NUMBER 2015-002**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated.

The Road and Bridge Fund expenditures exceeded appropriations during 2015 and 2014 which was caused by the Board of Trustees not adopting the annual appropriations.

This situation increases the possibility that deficit spending may occur.

We recommend that Management monitor their budgetary accounts throughout the year to ensure that expenditures do not exceed appropriations and prior year carryover encumbrances. Fund appropriations should be amended to correspond with any increase or decrease in fund expenditures.

**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, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	ORC §5705.41(D) Certification of available funds	Yes	Finding No Longer Valid
2013-002	ORC §5705.38 & §5705.41(B) Appropriation Resolution by the first day of the fiscal year	Yes	Finding No Longer Valid
2013-003	Material Weakness Proper classification of receipts and disbursements	No	See Finding 2015-001

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# 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  
JULY 19, 2016**