



**BROWN TOWNSHIP
VINTON COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

BROWN TOWNSHIP
VINTON COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Brown Township
Vinton County
28551 Mace Road
McArthur, Ohio 45651

To the Board of Trustees:

We have audited the accompanying financial statement of Brown Township, Vinton County, Ohio (the Township), as of and for the year ended December 31, 1999. The financial statement is the responsibility of the Township's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statement on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statement referred to above present fairly, in all material respects, the combined fund cash balances of Brown Township, Vinton County, as of December 31, 1999, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2001, 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 grants.

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

January 25, 2001

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**BROWN TOWNSHIP
VINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Taxes	\$1,930	\$539	\$2,469
Intergovernmental Receipts	79,258	59,820	139,078
Interest	2,041	1,435	3,476
Other Revenue	5,010		5,010
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	88,239	61,794	150,033
Cash Disbursements:			
Current:			
General Government	77,108		77,108
Public Safety		245	245
Public Works	4,899	67,980	72,879
Conservation- Recreation	2,383		2,383
Capital Outlay	948		948
	<hr/>	<hr/>	<hr/>
Total Disbursements	85,338	68,225	153,563
Total Cash Receipts Over/(Under)Cash Disbursements	<hr/>	<hr/>	<hr/>
	2,901	(6,431)	(3,530)
Fund Cash Balances January 1	<hr/>	<hr/>	<hr/>
	92,775	75,620	168,395
Fund Cash Balances, December 31	<hr/>	<hr/>	<hr/>
	\$95,676	\$69,189	\$164,865

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

**BROWN TOWNSHIP
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Brown Township, Vinton County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

The Township's management believes the financial statement presents all activities for which the Township is financially accountable.

B. Basis of Accounting

The financial statement follows the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

The statement includes adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

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

**BROWN TOWNSHIP
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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. The County Budget Commission must also approve the annual appropriation measure. 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 also approve estimated resources.

3. Encumbrances

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

A summary of 1999 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statement.

2. EQUITY IN POOLED CASH

The Township maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits. The carrying amount of cash at December 31 was as follows:

	<u>1999</u>
Demand deposits	<u>\$164,865</u>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by the financial institution's public entity deposit pool.

**BROWN TOWNSHIP
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 1999 follows:

Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$38,569	\$88,239	\$49,670
Special Revenue	60,316	61,794	1,478
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$98,885</u>	<u>\$150,033</u>	<u>\$51,148</u>

Budgeted vs. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$106,200	\$85,338	\$20,862
Special Revenue	90,300	68,225	22,075
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$196,500</u>	<u>\$153,563</u>	<u>\$42,937</u>

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statement as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, 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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. DEBT

Debt outstanding at December 31, 1999 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Lease Agreement	<u>\$27,196</u>	6%

The Township entered into a lease-purchase agreement for a tractor.

**BROWN TOWNSHIP
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

5. DEBT (Continued)

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

Year ending December 31:	Rental	Purchase Option
2000	\$ 7,804	\$21,000
2001	7,804	14,402
2002	7,804	7,402
2003	<u>7,804</u>	<u>0</u>
Total	<u><u>\$31,216</u></u>	<u><u>\$42,804</u></u>

6. RETIREMENT SYSTEMS

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is cost-sharing, multiple-employer plan. This plan provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For and 1999, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Brown Township
Vinton County
28551 Mace Road
McArthur, Ohio 45651

To the Board of Trustees:

We have audited the accompanying financial statement of Brown Township, Vinton County, Ohio (the Township), as of and for the year ended December 31, 1999, and have issued our report thereon dated January 25, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 1999-40782-001 through 1999-40782-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated January 25, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated January 25, 2001.

Brown Township
Vinton County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

January 25, 2001

**BROWN TOWNSHIP
VINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-40782-001

Finding for Recovery

Ohio Rev. Code Section 505.24 established the compensation rate for Township Trustees, based on the Township's \$252,876.77 in estimated resources. Trustee Clyde Pinney and Floyd Largent were overpaid. The allowable salary for a Trustee with a term beginning January 1, 1996 is \$6,000. The amount actually paid to Clyde Pinney was \$7,398. This is an overpayment of \$1,398. The allowable salary for a Trustee with a term beginning January 1, 1998 is \$6,798. The amount actually paid to Floyd Largent was \$7,398, which includes \$381.80 owed from 1998. This is a net overpayment of \$218.20.

Name/Position	Total Compensation Allowed for 1999	Total Compensation Due from 1998	Total Compensation Due for 1999	Amount Paid	Total Over Payment
Clyde Pinney, Trustee	\$6,000.00	\$0.00	\$6,000.00	\$7,398.00	(\$1,398.00)
Floyd Largent, Trustee	\$6,798.00	\$381.80	\$7,179.80	\$7,398.00	(\$218.20)
Total					(\$1,616.20)

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is issued for monies illegally expended against Floyd Largent, Township Trustee, in the amount of \$218.20, Clyde Pinney, Township Trustee, in the amount of \$1,398, jointly and severally, with the Western Surety Company their bonding company. The finding is also issued against Crystal Ratliff, Clerk, in the total amount of \$1,616.20, jointly and severally, with the Personal Service Insurance, Co. her bonding company. The amounts identified above are in favor of the General Fund of Brown Township.

FINDING NUMBER 1999-40782-002

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states in part that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

FINDING NUMBER 1999-40782-002

Noncompliance Citation (Continued)

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, 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 taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$100 for counties, or less than \$1,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority.

The Township utilizes purchase order forms and includes the certification of the Township Clerk on the forms. During disbursement testing, 55% of the transactions tested were not certified by the Township Clerk prior to the commitment and several did not reflect the Township Clerk's signature for the certification. Also, several of the purchase orders did not contain the Board of Trustees signature authorizing the payment of these expenditures, contrary to the Townships control procedures.

We recommend the Township Clerk certify expenditures prior to incurring an obligation and that the Township Clerk sign the certification, indicating that funds are available. Also, since the certifications are included with the Township's purchase orders, we recommend the Board of Trustees sign the purchase order indicating their approval for the payment.

FINDING NUMBER 1999-40782-003

Finding Repaid Under Audit

The Township received two checks totaling \$689.08, in Local Government Revenue, from Vinton County; however, these checks were not deposited into Township's accounts, nor posted to the Township's ledgers. It was determined that Crystal Ratliff, Township Clerk, had cashed the above mentioned checks. Ohio Rev. Code Section 9.39 states all "public officials are liable for all public money received or collected by them or their subordinates under color of office."

In accordance with the foregoing facts, and pursuant to Section 117.28, Revised Code, a finding for recovery is hereby issued against Crystal Ratliff in the amount of \$689.08, in favor of the General Fund of Brown Township.

As of December 20, 2000, Crystal Ratliff, Township Clerk, had reimbursed the Township for the entire amount.



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OFFICE OF THE AUDITOR

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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
FEBRUARY 22, 2001**