



**BROWNHELM TOWNSHIP  
LORAIN COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2003 & 2002**



**Auditor of State  
Betty Montgomery**



**BROWNHELM TOWNSHIP  
LORAIN COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Brownhelm Township  
Lorain County  
1940 North Ridge Road  
Vermilion, Ohio 44089

To the Board of Trustees:

We have audited the accompanying financial statements of Brownhelm Township, Lorain County, Ohio (the Township) as of and for the years ended December 31, 2003 and December 31, 2002. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements 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 statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Brownhelm Township, Lorain County, Ohio, as of December 31, 2003 and December 31, 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2004 on our consideration of the Townships internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

**Betty Montgomery**  
Auditor of State

May 4, 2004

**BROWNHELM TOWNSHIP  
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Agency	
<b>Cash Receipts:</b>					
Local Taxes	\$160,977	\$61,675	\$0	\$0	\$222,652
Intergovernmental	204,412	77,464	107,185	0	389,061
Licenses, Permits, and Fees	12,151	2,100	0	24	14,275
Earnings on Investments	1,832	8	0	0	1,840
Other Revenue	1,028	7,442	0	0	8,470
<b>Total Cash Receipts</b>	<b>380,400</b>	<b>148,689</b>	<b>107,185</b>	<b>24</b>	<b>636,298</b>
<b>Cash Disbursements:</b>					
Current:					
General Government	125,253	0	0	0	125,253
Public Safety	35,060	0	0	0	35,060
Public Works	65,574	128,492	0	0	194,066
Health	4,570	4,933	0	0	9,503
Conservation - Recreation	0	4,792	0	0	4,792
Miscellaneous	673	0	0	24	697
Capital Outlay	15,311	1,156	147,185	0	163,652
<b>Total Cash Disbursements</b>	<b>246,441</b>	<b>139,373</b>	<b>147,185</b>	<b>24</b>	<b>533,023</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>133,959</b>	<b>9,316</b>	<b>(40,000)</b>	<b>0</b>	<b>103,275</b>
<b>Other Financing Receipts and (Disbursements):</b>					
Transfers-In	0	22,000	0	0	22,000
Transfers-Out	(22,000)	0	0	0	(22,000)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(22,000)</b>	<b>22,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	111,959	31,316	(40,000)	0	103,275
Fund Cash Balances, January 1, 2003	168,763	40,274	40,000	0	249,037
<b>Fund Cash Balances, December 31, 2003</b>	<b>\$280,722</b>	<b>\$71,590</b>	<b>\$0</b>	<b>\$0</b>	<b>\$352,312</b>
Reserve for Encumbrances, December 31, 2003	\$39,579	\$1,238	\$0	\$0	\$40,817

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

**BROWNHELM TOWNSHIP  
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Agency	
<b>Cash Receipts:</b>					
Local Taxes	\$153,994	\$57,389	\$0	\$0	\$211,383
Intergovernmental	59,290	75,759	0	0	135,049
Licenses, Permits, and Fees	7,508	700	0	41	8,249
Earnings on Investments	3,775	25	0	0	3,800
Other Revenue	13,704	4,829	0	0	18,533
<b>Total Cash Receipts</b>	<b>238,271</b>	<b>138,702</b>	<b>0</b>	<b>41</b>	<b>377,014</b>
<b>Cash Disbursements:</b>					
Current:					
General Government	119,971	0	0	0	119,971
Public Safety	32,387	0	0	0	32,387
Public Works	77,391	170,273	0	0	247,664
Health	7,728	50	0	0	7,778
Conservation - Recreation	6,246	0	0	0	6,246
Miscellaneous	0	0	0	41	41
Capital Outlay	57,055	12,445	0	0	69,500
<b>Total Cash Disbursements</b>	<b>300,778</b>	<b>182,768</b>	<b>0</b>	<b>41</b>	<b>483,587</b>
Total Receipts Over/(Under) Disbursements	(62,507)	(44,066)	0	0	(106,573)
<b>Other Financing Receipts and (Disbursements):</b>					
Sale of Fixed Assets	0	260	0	0	260
Transfers-In	0	5,000	40,000	0	45,000
Transfers-Out	(45,000)	0	0	0	(45,000)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(45,000)</b>	<b>5,260</b>	<b>40,000</b>	<b>0</b>	<b>260</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(107,507)	(38,806)	40,000	0	(106,313)
Fund Cash Balances, January 1, 2002	276,270	79,080	0	0	355,350
<b>Fund Cash Balances, December 31, 2002</b>	<b>\$168,763</b>	<b>\$40,274</b>	<b>\$40,000</b>	<b>\$0</b>	<b>\$249,037</b>
Reserve for Encumbrances, December 31, 2002	\$0	\$1,150	\$0	\$0	\$1,150

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

**BROWNHELM TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Brownhelm Township, Lorain County, Ohio, (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, and recycling efforts. The Township has a service contract with neighboring communities to provide fire protection and emergency medical services.

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

**B. Basis of Accounting**

These financial statements follow 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. 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 prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

**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 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:

**BROWNHELM TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

*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 for constructing, maintaining and repairing Township roads.

**3. Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following significant capital project fund:

*Public Works Projects Fund* – This fund accounts for Issue II grants received from the State of Ohio for Township road projects.

**4. Fiduciary Fund (Agency Fund)**

This fund is used to account for funds for which the Township is acting in an agency capacity. The Township had the following significant fiduciary fund:

*Agency Fund* – This fund is used to collect and remit a three percent assessment of permit fees to the Board of Building Standards.

**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 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. 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 also approve estimated resources.

**BROWNHELM TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**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.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**F. 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 statements.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2003	2002
Demand deposits	\$196,093	\$64,580
Total deposits	196,093	64,580
STAR Ohio	156,219	184,457
Total investments	156,219	184,457
Total deposits and investments	\$352,312	\$249,037

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

**Investments:** Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**BROWNHELM TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31 2003 and December 31, 2002 follows:

**2003 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$378,217	\$380,400	\$2,183
Special Revenue	164,077	170,689	6,612
Capital Projects	107,185	107,185	0
Agency	200	24	(176)
Total	<u>\$649,679</u>	<u>\$658,298</u>	<u>\$8,619</u>

**2003 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$323,836	\$308,020	\$15,816
Special Revenue	158,061	140,611	17,450
Capital Projects	147,185	147,185	0
Agency	200	24	176
Total	<u>\$629,282</u>	<u>\$595,840</u>	<u>\$33,442</u>

**2002 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$234,908	\$238,271	\$3,363
Special Revenue	144,506	143,962	(544)
Capital Projects	146,533	40,000	(106,533)
Agency	3,605	41	(3,564)
Total	<u>\$529,552</u>	<u>\$422,274</u>	<u>(\$107,278)</u>

**2002 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$358,105	\$345,778	\$12,327
Special Revenue	206,148	183,918	22,230
Capital Projects	106,533	0	106,533
Agency	4,750	41	4,709
Total	<u>\$675,536</u>	<u>\$529,737</u>	<u>\$145,799</u>

**BROWNHELM TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**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 statements 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.

**6. RETIREMENT SYSTEMS**

Most Township employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple-employer plan. This plan provides 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 2003 and 2002, members of OPERS 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, 2003.

One trustee and one zoning board member participate in the Federal Income Contributions Act (Social Security) and must contribute to social security. The Townships liability is 6.2 percent of wages paid.

**7. RISK MANAGEMENT**

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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

**BROWNHelm TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

The aforementioned casualty and property reinsurance agreements do 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 2002 and 2001 (the latest information available):

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$23,757,036	\$23,703,776
Liabilities	(9,197,512)	(9,379,003)
Retained earnings	<u>\$14,559,524</u>	<u>\$14,324,773</u>

<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$6,596,996	\$5,011,131
Liabilities	(1,204,326)	(647,667)
Retained earnings	<u>\$5,392,670</u>	<u>\$4,363,464</u>

**8. RELATED PARTY TRANSACTION**

During 2003, a contract for tile work on Claus Road was awarded to a Trustee's brother for \$9,000. A change order of less than \$600 was made to the contract toward the end of the project.



**Auditor of State  
Betty Montgomery**

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

Brownhelm Township  
Lorain County  
1940 North Ridge Road  
Vermilion, Ohio 44089

To the Board of Trustees:

We have audited the accompanying financial statements of Brownhelm Township, Lorain County, Ohio, (the Township) as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated May 4, 2004, wherein we noted that the Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, and implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 statements are 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements 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 statements 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 May 4, 2004.

This report is intended solely 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.

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

**Betty Montgomery**  
Auditor of State

May 4, 2004



**Auditor of State  
Betty Montgomery**

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Columbus, Ohio 43216-1140  
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800-282-0370  
Facsimile 614-466-4490

**BROWNHELM TOWNSHIP**

**LORAIN COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 8, 2004**