



Dave Yost • Auditor of State



BROWN TOWNSHIP  
MIAMI COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report .....	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012 .....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2011 .....	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> .....	11
Schedule of Findings.....	13
Schedule of Prior Audit Findings.....	16

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Brown Township  
Miami County  
P.O. Box 369  
Conover, Ohio 45317

To the Board of Trustees:

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

We have audited the accompanying financial statements and related notes of Brown Township, Miami County, (the Township) as of and for the years ended December 31, 2012 and 2011.

### ***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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1B of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2012 and 2011, 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, Miami County as of December 31, 2012 and 2011, 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 permits, described in Note 1B.

***Emphasis of Matter***

As discussed in Note 2 to the financial statements, during 2011 Brown Township, Miami County adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2013, 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

July 17, 2013

**BROWN TOWNSHIP  
MIAMI COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$12,395	\$105,774	\$118,169
Charges for Services		10,004	10,004
Licenses, Permits and Fees	770	3,174	3,944
Intergovernmental	38,820	126,572	165,392
Special Assessments		1,756	1,756
Earnings on Investments	1,341	1,845	3,186
Miscellaneous	11,086	12,544	23,630
Total Cash Receipts	<u>64,412</u>	<u>261,669</u>	<u>326,081</u>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
General Government	133,942		133,942
Public Safety		125,584	125,584
Public Works		24,280	24,280
Health	9,455	54,390	63,845
Capital Outlay	1,078		1,078
Total Cash Disbursements	<u>144,475</u>	<u>204,254</u>	<u>348,729</u>
Net Change in Fund Cash Balances	(80,063)	57,415	(22,648)
Fund Cash Balances, January 1	<u>290,214</u>	<u>999,170</u>	<u>1,289,384</u>
<b>Fund Cash Balances, December 31:</b>			
Restricted		1,056,585	1,056,585
Assigned	215,526		215,526
Unassigned	(5,375)		(5,375)
Fund Cash Balances, December 31	<u>\$210,151</u>	<u>\$1,056,585</u>	<u>\$1,266,736</u>

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

**BROWN TOWNSHIP  
MIAMI COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$12,624	\$108,346	\$120,970
Charges for Services		12,370	12,370
Licenses, Permits and Fees	857	2,216	3,073
Intergovernmental	58,584	125,924	184,508
Special Assessments		1,865	1,865
Earnings on Investments	1,661	2,208	3,869
Miscellaneous	51,027	13,604	64,631
Total Cash Receipts	<u>124,753</u>	<u>266,533</u>	<u>391,286</u>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
General Government	127,357		127,357
Public Safety		103,184	103,184
Public Works		42,534	42,534
Health	11,312	36,049	47,361
Capital Outlay	25,000	13,233	38,233
Total Cash Disbursements	<u>163,669</u>	<u>195,000</u>	<u>358,669</u>
Net Change in Fund Cash Balances	(38,916)	71,533	32,617
Fund Cash Balances, January 1	<u>329,130</u>	<u>927,637</u>	<u>1,256,767</u>
<b>Fund Cash Balances, December 31:</b>			
Restricted		999,170	999,170
Assigned	210,323		210,323
Unassigned (Deficit)	79,891		79,891
Fund Cash Balances, December 31	<u>\$290,214</u>	<u>\$999,170</u>	<u>\$1,289,384</u>

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



**BROWN TOWNSHIP  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**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, Miami 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 Fletcher Volunteer Firemen's Association to provide fire services and JSP Joint Fire District to provide ambulance services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), which is an insurance risk sharing pool available to Ohio townships. Note 7 provides additional information regarding 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.

**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.

**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.

**BROWN TOWNSHIP  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

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

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

**Cemetery Fund** - This fund receives money from opening and closing of graves and sale of cemetery lots.

**Fire Fund** - This fund receives tax money to provide firefighting services to the Township.

**Ambulance Fund** – This fund receives tax money to provide ambulance services to the Township.

**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 and 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 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 re-appropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2012 and 2011 budgetary activity appears in Note 4.

**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.

**BROWN TOWNSHIP  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

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

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. Property, Plant, and Equipment**

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**2. CHANGE IN ACCOUNTING PRINCIPLE**

For fiscal year 2011, the Township implemented Governmental Accounting Standard Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* as required. However, no funds were reclassified as required by the revised fund classification guidance which would effect fund balances previously reported.

**BROWN TOWNSHIP  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**3. EQUITY IN POOLED DEPOSITS**

The Township maintains a deposit 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:

	<b>2012</b>	<b>2011</b>
Demand deposits	\$1,010,096	\$1,033,631
Certificates of deposit	256,640	255,753
Total deposits	\$1,266,736	\$1,289,384

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

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

**2012 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 63,427	\$ 64,412	\$ 985
Special Revenue	271,795	261,669	(10,126)
Total	\$335,222	\$326,081	(\$9,141)

**2012 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$273,750	\$144,475	\$129,275
Special Revenue	568,782	204,254	364,528
Total	\$842,532	\$348,729	\$493,803

**2011 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 90,713	\$124,753	\$34,040
Special Revenue	253,254	266,533	13,279
Total	\$343,967	\$391,286	\$47,319

**2011 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$268,750	\$163,669	\$105,081
Special Revenue	571,600	195,000	376,600
Total	\$840,350	\$358,669	\$481,681

**BROWN TOWNSHIP  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**5. 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.

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 SYSTEM**

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

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2012.

**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**

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2012, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

**BROWN TOWNSHIP  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**7. 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, 2012 and 2011 (the latest information available):

	<b>2012</b>	<b>2011</b>
Assets	\$34,771,270	\$35,086,165
Liabilities	(9,355,082)	(9,718,792)
Net Position	\$25,416,188	\$25,367,373

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.96 and \$8.6 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$2,000.

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.

**Township Contributions to OTARMA**

2012	\$4,136
2011	\$4,042

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.



# Dave Yost • Auditor of State

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

Brown Township  
Miami County  
P.O. Box 369  
Conover, Ohio 45317

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 Brown Township, Miami County, (the Township) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated July 17, 2013 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits. We also noted the Township adopted the provisions of Governmental Accounting Standards Board Statement No. 54 *Fund Balance and Governmental Fund Type Definitions*.

### ***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 finding 2012-002 described in the accompanying schedule of findings to be a material weakness.

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

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed 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 2012-001.

***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 style with a large, looping initial "D".

**Dave Yost**  
Auditor of State

Columbus, Ohio

July 17, 2013



**BROWN TOWNSHIP  
MIAMI COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2012-001**

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.41(D)(1)** states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment 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 encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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 the sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

- A. "Then and Now" Certificate** - If the fiscal officer can certify that both at the time 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 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.
  
- B. Blanket Certificate** - Fiscal officers may prepare "blanket" certificates for a certain sum of money not to excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal. 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.
  
- C. Super Blanket Certificate** - The Township may also make expenditures and contract 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. The certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The Township did not properly certify the availability of funds prior to purchase commitment for 29.1% of expenditures examined. Additionally, the Township utilized "then and now" certificates, which the Fiscal Officer and Trustees properly signed. However, there was no formal approval of these "then and now" certifications in the minute record.

**FINDING NUMBER 2012-001  
(Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, the Township should certify that the funds are or will be available prior to the obligation. When prior certification is not possible, "then and now" certification should be used.

**Officials' Response**

Township Officials did not respond to the above finding.

**FINDING NUMBER 2012-002**

**Material Weakness – Financial Statement Adjustments and Reclassifications**

The Township prepares its annual financial statements in accordance with accounting practices the Auditor of State prescribes or permits. The Township's Annual Financial Reports for 2012 and 2011 contained errors which resulted in several reclassifications and adjustments to correctly report the financial activity during and at the end of the periods as follows:

**2012 General Fund**

- Property and Other Local Taxes was overstated by \$2,504
- Intergovernmental Revenue was understated by \$2,194
- Earnings on Investments was understated by \$360
- Miscellaneous receipts was understated by \$513
- General Government expenditures were understated by \$3,931
- Health expenditures were understated by \$7,526
- Other Financing Uses was overstated by \$881
- Fund Cash Balance, January 1 was overstated by \$17,828
- Fund Cash Balance, December 31 was overstated by \$27,841
- Fund Cash Balance, December 31 was improperly classified as Restricted; additionally, \$215,526 of the balance should have been classified as Assigned to be in accordance with GASB 54

**2012 Special Revenue Funds**

- Property and Other Local Taxes was overstated by \$24,164
- Licenses, Permits and Fees was understated by \$3,174
- Intergovernmental Revenue was understated by \$31,487
- Earnings on Investments was understated by \$365
- Miscellaneous was understated by \$10,444
- Public Works expenditures were understated by \$9,968
- Other Financing Sources was overstated by \$13,618
- Other Financing Uses was overstated by \$9,968
- Fund Cash Balance, January 1 was understated by \$17,573
- Fund Cash Balance, December 31 was understated by \$25,261

**FINDING NUMBER 2012-002  
(Continued)**

**2011 General Fund**

- Property and Other Local Taxes was overstated by \$12,530
- Intergovernmental Revenue was understated by \$1,946
- Earnings on Investments was overstated by \$255
- Miscellaneous receipts was understated by \$762
- General Government expenditures were understated by \$49
- Health expenditures were understated by \$7,703
- Capital Outlay expenditures were understated by \$25,000
- Other Financing Uses was overstated by \$25,000
- Fund Cash Balance, December 31 was overstated \$17,828
- Fund Cash Balance, December 31 was improperly classified as Restricted
- Fund Cash Balance, December 31 was improperly classified as Restricted; additionally, \$210,323 of the balance should have been classified as Assigned to be in accordance with GASB 54

**2011 Special Revenue Funds**

- Property and Other Local Taxes was overstated by \$16,755
- Licenses, Permits and Fees was understated by \$2,217
- Intergovernmental Revenue was understated by \$35,252
- Miscellaneous was understated by \$9,404
- Public Safety expenditures were understated by \$777
- Public Works expenditures were understated by \$146
- Capital Outlay expenditures were understated by \$13,232
- Other Financing Sources was overstated by \$11,620
- Other Financing Uses was overstated by \$13,233
- Fund Cash Balance, December 31 was understated by \$17,573

Adjustments and reclassifications to correct these significant errors above are reflected in the accompanying financial statements.

The Township Fiscal Officer should review the account coding system prior to completion of the financial statements to verify that all account line items roll up into the proper financial statement line items and correct fund groupings according to the Township's chart of accounts.

**Officials' Response**

Township Officials did not respond to the above finding.

**BROWN TOWNSHIP  
MIAMI COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2010-001	Ohio Rev. Code Section 5705.38(C) – Approval of appropriations at the Fund Level	Yes	
2010-002	Ohio Rev. Code Section 5705.41(D)(1) – Prior Certification	No	The finding has been repeated as Finding 2012-001.
2010-003	Material Weakness - Financial statement reclassifications	No	The finding has been repeated as Finding 2012-002.



# Dave Yost • Auditor of State

**BROWN TOWNSHIP**

**MIAMI 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  
AUGUST 13, 2013**