



Dave Yost • Auditor of State

**BROOKFIELD TOWNSHIP
TRUMBULL COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2011	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2010	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings	17

This page intentionally left blank.



Dave Yost • Auditor of State

Brookfield Township
Trumbull County
6844 Strimbu Drive
Brookfield, OH 44403

To the Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 12, 2012

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Brookfield Township
Trumbull County
6844 Strimbu Drive
Brookfield, OH 44403

To the Trustees:

We have audited the accompanying financial statements of Brookfield Township, Trumbull County, (the Township) as of and for the years ended December 31, 2011 and 2010. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of Brookfield Township, Trumbull County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Brookfield Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Dave Yost
Auditor of State

October 12, 2012

**BROOKFIELD TOWNSHIP
TRUMBULL COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$48,369	\$1,520,891		\$1,569,260
Charges for Services		418,363		418,363
Licenses, Permits, and Fees	94,072	36,337		130,409
Fines and Forfeitures	3,570	948		4,518
Intergovernmental	222,661	346,670		569,331
Special Assessments		19,728		19,728
Earnings on Investments	823			823
Miscellaneous	10,272	75,818		86,090
	<u>379,767</u>	<u>2,418,755</u>	<u>0</u>	<u>2,798,522</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	288,566	\$1,983		290,549
Public Safety		1,952,337		1,952,337
Public Works	215,110	389,720		604,830
Health	47,437	32,246		79,683
Conservation - Recreation	16,321	1,158		17,479
Other	828	6,500		7,328
Capital Outlay	11,938	22,044	2,834	36,816
Debt Service:				
Redemption of Principal		121,215		121,215
Interest and Other Fiscal Charges		41,253		41,253
	<u>580,200</u>	<u>2,568,456</u>	<u>2,834</u>	<u>315,149</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>(200,433)</u>	<u>(149,701)</u>	<u>(2,834)</u>	<u>(352,968)</u>
Other Financing Receipts / (Disbursements):				
Transfers-In	29,166	81,107	2,834	113,107
Transfers-Out	(83,941)	(29,166)		(113,107)
Other Financing Sources		11,792		11,792
Other Financing Uses		(1,642)		(1,642)
	<u>(54,775)</u>	<u>62,091</u>	<u>2,834</u>	<u>10,150</u>
Total Other Financing Receipts / (Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(255,208)	(87,610)	0	(342,818)
Fund Cash Balances, January 1	<u>703,848</u>	<u>327,775</u>	<u>0</u>	<u>1,031,623</u>
Fund Cash Balances, December 31				
Restricted	675	240,165		240,840
Unassigned (Deficit)	447,965			447,965
	<u>\$448,640</u>	<u>\$240,165</u>		<u>\$688,805</u>
Fund Cash Balances, December 31				

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

**BROOKFIELD TOWNSHIP
TRUMBULL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$49,760	\$1,572,721		\$1,622,481
Charges for Services		429,734		429,734
Licenses, Permits, and Fees		35,525		35,525
Fines and Forfeitures	123,090	17,485		140,575
Intergovernmental	357,543	495,034		852,577
Special Assessments		30,388		30,388
Earnings on Investments	684	12		696
Miscellaneous	32,908	33,054		65,962
	<u>563,985</u>	<u>2,613,953</u>		<u>3,177,938</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	377,478	1,504		378,982
Public Safety	14,924	2,022,376		2,037,300
Public Works	85,612	390,871		476,483
Health	54,714	14,994		69,708
Conservation - Recreation	16,381			16,381
Other		23,282		23,282
Capital Outlay	31,345	20,368	\$2,834	54,547
Debt Service:				
Redemption of Principal		104,147		104,147
Interest and Other Fiscal Charges		41,572		41,572
	<u>580,454</u>	<u>2,619,114</u>	<u>2,834</u>	<u>3,202,402</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>(16,469)</u>	<u>(5,161)</u>	<u>(2,834)</u>	<u>(24,464)</u>
Other Financing Receipts / (Disbursements):				
Sale of Notes	135,850			135,850
Transfers-In			\$2,834	2,834
Transfers-Out	(2,834)			(2,834)
Other Financing Uses	(160,000)			(160,000)
	<u>(26,984)</u>	<u>0</u>	<u>2,834</u>	<u>(24,150)</u>
Total Other Financing Receipts / (Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(43,453)	(5,161)	0	(48,614)
Fund Cash Balances, January 1 (see Note 9 for adjustments)	747,301	310,008	\$0	1,057,309
Fund Cash Balances, December 31	<u>\$703,848</u>	<u>\$304,847</u>	<u>\$0</u>	<u>\$1,008,695</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$2,543</u>	<u>\$0</u>	<u>\$2,543</u>

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

**BROOKFIELD TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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 Brookfield Township, Trumbull 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, cemetery maintenance, police and fire protection and emergency medical services

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 7 to the financial statements provides additional information for these entities.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values certificates of deposit 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:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

**BROOKFIELD TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies – (Continued)

2. Special Revenue Funds

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

Police Fund - This fund receives property tax money for police related services in the Township.

Fire Fund - This fund receives property tax money to pay fire related services in 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 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 carried over, and need not be reappropriated. The Township did not timely encumber all commitments required by Ohio law.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011, 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. Nonspendable

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

**BROOKFIELD TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(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.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**BROOKFIELD TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

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:

	2011	2010
Demand deposits	\$188,201	\$531,623
Certificates of deposit		400,000
Other time deposits (savings and NOW accounts)	500,604	100,000
Total deposits	688,805	1,031,623

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$620,067	\$408,933	(\$211,134)
Special Revenue	2,601,411	2,511,654	(89,757)
Capital Projects	8,000	2,834	(5,166)
Total	\$3,229,478	\$2,923,421	(\$306,057)

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$723,502	\$664,141	\$59,361
Special Revenue	2,921,979	2,599,264	322,715
Capital Projects	5,000	2,834	2,166
Total	\$3,650,481	\$3,266,239	\$384,242

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$620,067	\$699,835	\$79,768
Special Revenue	2,621,722	2,613,953	(7,769)
Capital Projects	8,000	2,834	(5,166)
Total	\$3,249,789	\$3,316,622	\$66,833

**BROOKFIELD TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. Budgetary Activity – (Continued)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$853,424	\$743,288	\$110,136
Special Revenue	2,931,729	2,616,571	315,158
Capital Projects	8,000	2,834	5,166
Total	\$3,793,153	\$3,362,693	\$430,460

Contrary to Ohio law, transfers were improperly made for the year ended December 31, 2011. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

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.

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, 2011 was as follows:

	Principal	Interest Rate
Fire Equipment Notes	\$574,574	5.375%
Ambulance Notes	124,535	5.878%
Total	\$699,109	

The Township issued general obligation notes to finance the purchase of Fire department equipment. The Township's taxing authority collateralized the notes.

The Township issued general obligation notes to finance the purchase of an Ambulance for the Fire department. The Township's taxing authority collateralized the notes.

**BROOKFIELD TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

5. Debt – (Continued)

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

Year ending December 31:	Fire Equipment Notes	Ambulance Notes
2012	\$109,900	\$11,315
2013	109,900	11,315
2014	109,900	11,315
2015	109,900	11,315
2016	109,900	11,315
2017-2021	25,074	67,960
Total	\$574,574	\$124,535

6. Retirement Systems

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OP&F – full time firefighters</i>	<i>2005-2011</i>	<i>10%</i>	<i>24%</i>
<i>PERS – Local</i>	<i>2008 - 2011</i>	<i>10%</i>	<i>14%</i>
<i>PERS – Law Enforcement</i>	<i>2010</i>	<i>11.10%</i>	<i>17.87%</i>
<i>PERS – Law Enforcement</i>	<i>2011</i>	<i>11.61%</i>	<i>18.10%</i>

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are 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 2011 and 2010, OP&F participants contributed 10% of their wages. For 2011 and 2010, the Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages, respectively. For 2011 and 2010, OPERS members contributed 10% of their gross wages, except members in law enforcement, who contributed 11.1% in 2010 and 11.61% in 2011 of their gross salaries. The Township contributed an amount equaling 14% for members not in law enforcement. For 2011 and 2010, the Township contributed an amount equal to 18.1% and 17.87%, respectively, of law enforcement members' gross wages.

The Township has paid all contributions required through December 31, 2011.

7. Risk Management

Commercial Insurance

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.

**BROOKFIELD TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

7. Risk Management – (Continued)

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 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.

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, 2010 and 2009 (the latest information available):

	<u>2010</u>	<u>2009</u>
Assets	\$35,855,252	\$38,982,088
Liabilities	<u>(10,664,724)</u>	<u>(12,880,766)</u>
Net Assets	<u>\$25,190,528</u>	<u>\$26,101,322</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Township's share of these unpaid claims collectible in future years is approximately \$32,953.

**BROOKFIELD TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

8. Fund Balance Adjustments

Adjustments were made to reclassify several funds from Expendable Trust funds to Special Revenue Funds. The two proposed Expendable Trust funds were the Cemetery Maintenance Fund and the Community Park Improvement Fund. However, neither trust fund has a written trust agreement on file with the Township so a reclassification to Special Revenue Funds was deemed appropriate. The following table reflects the adjustments and corrected January 1, 2010 fund balances:

	12/31/2009		1/1/2010
Fund Type	Fund Balance	Adjustments	Fund Balance
Special Revenue Funds	\$ 300,466.00	\$ 9,542.00	\$ 310,008.00
Expendable Trust Funds	\$ 9,542.00	\$ (9,542.00)	\$ -



Dave Yost • Auditor of State

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

Brookfield Township
Trumbull County
6844 Strimbu Drive
Brookfield, OH 44403

To the Board of Trustees:

We have audited the financial statements of Brookfield Township, Trumbull County (the Township) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated October 12, 2012 wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America, and that the Township adopted Governmental Accounting Standards Board Statement No. 54 (GASB 54). 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-001 and 2011-002 described in the accompanying schedule of findings to be material weaknesses.

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, providing an opinion 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2011-01 and 2011-03.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated October 12, 2012.

We intend this report solely for the information and use of management, the board of trustees and others within the Township. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State

October 12, 2012

**BROOKFIELD TOWNSHIP
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 and 2011**

1. ENCUMBERING

<i>Finding Number</i>	2011-001
------------------------------	-----------------

NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Revised Code § 5705.41(D), states in part that no orders or contracts involving the expenditure of money are to be made unless a certificate signed by the fiscal officer is attached. The fiscal officer must certify 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.

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

Then and Now Certificate: If the fiscal officer can certify that both at the time that the contract or order was made "then" at the time that he is completing his certification "now", 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 for the payment of the amount due. 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 \$3,000 (\$1,000 prior to April 7, 2003) 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.

1. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in 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 year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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.
2. **Super Blanket Certificate** – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Township did not always encumber funds at the time of the commitment. We noted 76% of the expenditures tested were not properly encumbered. Incurring obligations prior to the fiscal officer's certification could result in the Township spending more than was appropriated.

<i>Finding Number</i>	2011-001 – (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, we recommend that the fiscal officer certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Township certify all purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Official's Response: The Township did not provide any formal written response.

2. Reclassifications of Revenue

<i>Finding Number</i>	2011-002
------------------------------	-----------------

MATERIAL WEAKNESS

An entity's accounting system encompasses the sequence of steps followed in the accounting process, from analyzing and recording transactions, posting entries, adjusting and closing accounts, and preparing financial statements.

During our testing of the Township's receipts, we noted the following mispostings to their records:

- In 2010, \$135,850 of loan proceeds, \$32,550 of intergovernmental revenue, and \$121,416 of cable franchise fees were improperly posted as miscellaneous revenue in the General Fund.
- Also in 2010, \$103,994 of intergovernmental revenue and \$36,233 of charges for services were improperly posted as miscellaneous revenue in Fire District Fund.
- In 2011, \$94,072 of cable franchise fees were improperly posted as miscellaneous revenue in the General Fund.

The reclassifications were made to the audited financial statements but no adjustments required to be made to the Township's accounting system.

We recommend that the Fiscal Officer use more care when posting franchise fees and intergovernmental revenues.

Official's Response: The Township did not provide any formal written response.

3. Improper Transfers

<i>Finding Number</i>	2011-003
------------------------------	-----------------

NONCOMPLIANCE

Ohio Revised Code § 5705.14 states, in part, that except in the case of transfers from the general fund, transfers can be made only by resolution of the taxing authority passed with the affirmative vote of two thirds of the members. Transfers from the general fund require a resolution passed by a simple majority of the board members (i.e., a two thirds vote is not required for general fund transfers though a resolution is required).

The Fiscal Officer did not have Board authorization for six out of seven transfers that were made during the audit period. In addition, in 2011, the Township made improper transfers out of their special revenue funds. They were as follows:

- \$32,258.72 was transferred out of the Ambulance and Emergency Services fund to the General Fund.
- \$5,328.24 was transferred out of the Road and Bridge fund to the Gasoline Tax fund.
- \$86.08 was transferred out of the Motor Vehicle fund to the Gasoline Tax fund.

The Township has posted the above corrections to their accounting system and the financial statements have also been adjusted.

In addition, On January 4, 2010, the Trustees approved a transfer of \$8,115.19 from the General Fund to Storm Sewer Fund. The Fiscal Officer only transferred a portion of the approved transfer, which was \$2,834. The Fiscal Officer did not transfer the entire amount as the Board motion indicated.

We recommend the Township adhere to Ohio Revised Code Section 5705.14 when making transfers.

Official's Response: The Township did not provide any formal written response.

This page intentionally left blank.



Dave Yost • Auditor of State

BROOKFIELD TOWNSHIP

TRUMBULL 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
NOVEMBER 13, 2012**