



**BRUNSWICK HILLS TOWNSHIP  
MEDINA COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 1999-1998**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



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## REPORT OF INDEPENDENT ACCOUNTANTS

Brunswick Hills Township  
Medina County  
1918 Pearl Road  
Brunswick Hills, Ohio 44212

To the Board of Trustees:

We have audited the accompanying financial statements of Brunswick Hills Township, Medina County, Ohio, (the Township) as of and for the years ended December 31, 1999, and December 31, 1998. 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 audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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. We believe that our audits provide a reasonable basis for our opinion.

As described 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 Brunswick Hills Township, Medina County, as of December 31, 1999 and 1998, 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 February 11, 2000 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

This report is intended solely for the information and use of the audit committee, management and Board of Trustees, 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.

**Jim Petro**  
Auditor of State

February 11, 2000

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

	<u>Governmental Fund Types</u>			<b>Total (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash receipts:</b>				
Local Taxes	\$226,110	\$330,970		\$557,080
Intergovernmental	201,742	224,027		425,769
Licenses, Permits and Fees	22,401			22,401
Fines, Forfeitures, and Penalties	37,261			37,261
Earnings on Investments	2,696	132		2,828
Other	827	7,182		8,009
	<u>491,037</u>	<u>562,311</u>		<u>1,053,348</u>
<b>Total Cash Receipts</b>				
<b>Cash disbursements:</b>				
Current:				
General Government	208,617			208,617
Public Safety		561,673		561,673
Public Works	4,216	107,008		111,224
Health	1,700			1,700
Capital Outlay		50,217		50,217
Debt Service:				
Redemption of Principal		14,400	\$35,000	49,400
Interest and Fiscal Charges		4,833	12,814	17,647
	<u>214,533</u>	<u>738,131</u>	<u>47,814</u>	<u>1,000,478</u>
<b>Total Cash Disbursements</b>				
<b>Total Cash Receipts over/(under) Cash Disbursements</b>	<u>276,504</u>	<u>(175,820)</u>	<u>(47,814)</u>	<u>52,870</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Proceeds From Debt				
Proceeds of Notes		80,000		80,000
Sale of Fixed Assets		5,000		5,000
Advances-In	6,000	6,000		12,000
Transfers-In		164,000	47,814	211,814
Transfers-Out	(211,814)			(211,814)
Advances-Out	(6,000)	(6,000)		(12,000)
	<u>(211,814)</u>	<u>249,000</u>	<u>47,814</u>	<u>85,000</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
Excess of Cash Receipts and Other Financing Receipts over Cash Disbursements and Other Financing Disbursements	64,690	73,180		137,870
Fund Cash Balances, January 1	<u>(97,617)</u>	<u>133,599</u>		<u>35,982</u>
<b>Fund Cash Balances, December 31</b>	<u>(\$32,927)</u>	<u>\$206,779</u>	<u>\$0</u>	<u>\$173,852</u>
Reserve for encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>			<b>Total (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash receipts:</b>				
Local Taxes	\$214,916	\$329,747		\$544,663
Intergovernmental	209,062	126,156		335,218
Licenses, Permits and Fees	14,533			14,533
Fines, Forfeitures, and Penalties	22,183			22,183
Earnings on Investments	2,123			2,123
Other	43,379	1,074		44,453
<b>Total Cash Receipts</b>	<u>506,196</u>	<u>456,977</u>		<u>963,173</u>
<b>Cash disbursements:</b>				
Current:				
General Government	239,566	2,302		241,868
Public Safety		431,307		431,307
Public Works	3,864	86,998		90,862
Health	1,875			1,875
Capital Outlay		105,737		105,737
Debt Service:				
Redemption of Principal		25,400	\$35,000	60,400
Interest and Fiscal Charges		6,808	15,045	21,853
<b>Total Cash Disbursements</b>	<u>245,305</u>	<u>658,552</u>	<u>50,045</u>	<u>953,902</u>
<b>Total Cash Receipts over/(under) Cash Disbursements</b>	<u>260,891</u>	<u>(201,575)</u>	<u>(50,045)</u>	<u>9,271</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Transfers-In		239,000	50,045	289,045
Transfers-Out	(289,045)			(289,045)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(289,045)</u>	<u>239,000</u>	<u>50,045</u>	
Excess of Cash Receipts and Other Financing Receipts (under)/over Cash Disbursements and Other Financing Disbursements	(28,154)	37,425		9,271
Fund Cash Balances, January 1	(69,463)	96,174		26,711
<b>Fund Cash Balances, December 31</b>	<u>(\$97,617)</u>	<u>\$133,599</u>	<u>\$0</u>	<u>\$35,982</u>
Reserve for encumbrances, December 31	\$0	\$0	\$0	\$0

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



**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 and 1998**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Brunswick Hills Township, Medina 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 zoning, safety services, and police protection.

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 cash 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**

The investment in STAR Ohio ( the State of Ohio 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:

**General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

**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:

*Police District Fund* - This fund receives real estate and property taxes to provide police protection to Township residents.

*Fire District Fund* - This fund receives real estate, and property taxes and intergovernmental receipts to provide fire protection to Township residents.

*Road and Bridge Fund* - This fund receives real estate taxes, property taxes and intergovernmental receipts for constructing, maintaining and repairing Township roads.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999 and 1998**  
**(Continued)**

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

**D. FUND ACCOUNTING (Continued)**

**Debt Service Fund**

This fund is used to account for resources for the payment of note indebtedness.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**Estimated Resources**

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

**Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not use the encumbrance method of accounting during fiscal year 1998, or the majority of fiscal year 1999.

A summary of 1999 and 1998 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. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Township.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999 and 1998**  
**(Continued)**

**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:

	<u>1999</u>	<u>1998</u>
Demand deposits	\$45,074	\$35,532
STAR Ohio	<u>128,778</u>	<u>450</u>
Total deposits and investments	<u>\$173,852</u>	<u>\$35,982</u>

A. Deposits

Deposits are insured by the Federal Depository Insurance Corporation.

B. Investments

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 1999 and 1998 was as follows:

**1999 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$491,273	\$491,037	(\$236)
Special Revenue	805,456	811,311	5,855
Debt Service	<u>0</u>	<u>47,814</u>	<u>47,814</u>
Total	<u>\$1,296,729</u>	<u>\$1,350,162</u>	<u>\$53,433</u>

**1999 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$408,450	\$426,347	(\$17,897)
Special Revenue	831,106	738,131	92,975
Debt Service	<u>47,407</u>	<u>47,814</u>	<u>(407)</u>
Total	<u>\$1,286,963</u>	<u>\$1,212,292</u>	<u>\$74,671</u>

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 and 1998  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

**1998 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$583,206	\$506,196	(\$77,010)
Special Revenue	423,100	695,977	272,877
Debt Service	<u>0</u>	<u>50,045</u>	<u>50,045</u>
Total	<u>\$1,006,306</u>	<u>\$1,252,218</u>	<u>\$245,912</u>

**1998 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$259,125	\$534,350	(\$275,225)
Special Revenue	711,776	658,552	53,224
Debt Service	<u>54,000</u>	<u>50,045</u>	<u>3,955</u>
Total	<u>\$1,024,901</u>	<u>\$1,242,947</u>	<u>(\$218,046)</u>

**4. NONCOMPLIANCE**

- The Township did not certify the availability of funds for expenditure during 1998 and most of 1999, contrary to Ohio Rev. Code Section 5705.41(D).
- The Township's Board of Trustees did not approve \$289,045 in transfers during 1998, and \$114,000 in transfers during the first part of 1999, contrary to Ohio Rev. Code Section 5705.14.
- The Township's expenditures exceeded appropriations in 1998 for the General Fund and the Road and Bridge Fund by \$279,393 and \$9,715, respectively, contrary to Ohio Rev. Code Section 5705.41(B)
- The Township did not maintain an appropriation ledger in 1998 as required by Ohio Admin. Code Section 117-3-11.
- At the end of 1998 and 1999 the General Fund had deficit fund cash balances of \$97,617 and \$32,927, respectively, contrary to Ohio Rev. Code Section 5705.10. Such deficits were the result of the Township expending money that was not available for expenditure.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999 and 1998**  
**(Continued)**

**4. NONCOMPLIANCE (continued)**

- Appropriations exceeded estimated receipts in 1998 for the Special Revenue Police District Fund, Special Revenue Fire District Fund, and the Debt Service Fund by \$238,309, \$26,139, and \$54,000, respectively. During 1999, the Debt Service Fund appropriations exceeded estimated receipts by \$48,000.

**5. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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 payments, 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 with 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. DEBT**

Debt outstanding at December 31, 1999 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Police Station Construction Note, 1995	\$166,000	6.375%
Rescue Squad Note, 1999	58,400	4.4%
Snow Plow Note, 1997	36,000	5.50%
Tax Anticipation Notes, 1999	80,000	4.4%
Total	<u>\$340,400</u>	

The Police Station Construction note was used for financing a portion of the cost of constructing, furnishing and equipping the police administration building and will be paid out of the Debt Service Fund using general operating revenues of the Township. The Rescue Squad note was used to purchase two rescue squads for the Township fire department and will be paid using Fire District Fund revenues. The Snow Plow note was used to purchase a snow plow and required attachments and will be paid using Road and Bridge, Gas Tax, and Motor Vehicle License Tax Fund revenues. The Tax Anticipation notes will be used for police operations and will be paid from proceeds of a tax levy which was approved by the voters of the Township in November of 1999.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999 and 1998**  
**(Continued)**

**6. DEBT (continued)**

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

<u>Year Ending December 31:</u>	<u>Police Station Construction</u>	<u>Rescue Squad</u>	<u>Snow Plow</u>	<u>Tax Anticipation</u>
2000	\$45,582	\$60,970	\$16,222	\$43,520
2001	43,351	0	15,412	41,760
2002	41,120	0	7,402	0
2003	33,889	0	0	0
2004	<u>32,976</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$196,918</u>	<u>\$60,970</u>	<u>\$39,036</u>	<u>\$85,280</u>

**7. RETIREMENT SYSTEMS**

The employees of the Township were covered by the Public Employees Retirement System of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement 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. Plan members, other than those engaged in law enforcement, contributed 8.5% of their gross salaries and the Township contributed an amount equal to 13.55% of these participants' gross salaries. For law enforcement employees, the employee contribution was 9% and the employer contribution was 16.7%. The Township has paid all contributions required through December 31, 1999.

**8. RISK MANAGEMENT**

The Township has obtained commercial insurance for the following risks:

- |                            |                             |
|----------------------------|-----------------------------|
| -Property/Inland Marine    | -Vehicles                   |
| -General Liability         | -Public Officials Liability |
| -Law Enforcement Liability | -Employee Dishonesty        |

The Township also provided health insurance, dental, and short term disability coverage to full-time employees through private carriers.

**9. CONTINGENT LIABILITIES**

The Township is defendant in several lawsuits. Although the outcome of these suits is not presently determinable, counsel believes that the resolution of these matters will not materially or adversely affect the Township's financial condition.



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OFFICE OF THE AUDITOR

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

Brunswick Hills Township  
Medina County  
1918 Pearl Road  
Brunswick Hills, Ohio 44212

To the Board of Trustees:

We have audited the financial statements of Brunswick Hills Township as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated February 11, 2000. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Township's financial 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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 1999-40952-001 through 1999-40952-006. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated February 11, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audits, 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings as items 1999-40952-007 and 1999-40952-008.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above are not a material weakness.

We also 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 February 11, 2000.

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

**Jim Petro**  
Auditor of State

February 11, 2000



**SCHEDULE OF FINDINGS  
DECEMBER 31, 1999**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding #1999-40952-001**

Ohio Rev. Code Section 5705.41(D) requires that no subdivision or taxing unit 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 that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two exceptions to the above requirements:

Then and Now Certificate- If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.

If the amount involved is less than \$1,000, the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

The Township did not certify the availability of funds before entering into commitments for the expenditure of monies during all of 1998 and January through August of 1999. There was no evidence that Then and Now Certificates were used.

To assist in monitoring expenditure activity, the Township should begin to use purchase orders requiring the Clerk's certification of the availability of funds for orders or contracts involving the expenditure of money. The Township began utilizing UAN (Uniform Accounting Network) in 1999, which requires a purchase order to be entered prior to the payment of invoices. This should prevent the Township from issuing warrants without prior certification of the availability of funds.

**Finding #1999-40952-002**

Ohio Rev. Code Section 5705.14 states that no transfer shall be made from one fund to any other fund, except as follows:

- A) The unexpended balance in a bond fund that is no longer needed for the purpose for which such fund was created shall be transferred to the sinking fund or bond retirement fund from which such bonds are payable.
- B) The unexpended balance in any specific permanent improvement fund, other than a bond fund, after the payment of all obligations incurred in the acquisition of such improvement, shall be transferred to the sinking fund or bond retirement fund of the subdivision. However, if such money is not required to meet the obligations payable from such funds, it may be transferred to a special fund for the acquisition of permanent improvements, or, with the approval of the court of common pleas of the county in which such subdivision is located, to the general fund of the subdivision.

**SCHEDULE OF FINDINGS  
DECEMBER 31, 1999  
(Continued)**

- C) The unexpended balance in the sinking fund or bond retirement fund of a subdivision, after all indebtedness, interest, and other obligations for the payment of which such fund exists have been paid and retired, shall be transferred, in the case of the sinking fund, to the bond retirement fund, and in the case of the bond retirement fund, to the sinking fund. However, if the transfer is impossible by reason of the nonexistence of the fund to receive the transfer, the unexpended balance may be transferred to any other fund of the subdivision with the approval of the court of common pleas of the county in which such division is located.
- D) The unexpended balance in any special fund, other than an improvement fund, may be transferred to the general fund or to the sinking fund or bond retirement fund after the termination of the activity, service, or other undertaking for which such special fund existed, but only after the payment of all obligations incurred and payable from such special fund.
- E) Money may be transferred from the general fund to any other fund of the subdivision by resolution of the taxing authority.

Though the Township only made transfers from the General Fund during the audit period, the following transfers were not approved by the Board of Trustees.

1998

<u>Transfer-out</u>	<u>Transfer -in</u>	<u>Amount</u>
General Fund	Special Revenue Police District Fund	\$214,000
General Fund	Special Revenue Fire District Fund	25,000
General Fund	Debt Service Fund	50,045

1999

<u>Transfer-out</u>	<u>Transfer -in</u>	<u>Amount</u>
General Fund	Special Revenue Police District Fund	\$114,000

The Township should implement policies and procedures over the transfer of funds to ensure the transfers are made in accordance with the provisions noted above.

**Finding #1999-40952-003**

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit shall make an expenditure of money unless it has been appropriated.

At December 31, 1998, the Township had the following funds in which expenditures exceeded appropriations:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
General Fund	\$259,125	\$538,518	\$279,393
Special Revenue Road and Bridge Fund		37,360	47,075
			9,715

The Township Trustees should compare appropriations to expenditures in all funds which are legally required to be budgeted to ensure compliance with this requirement.

**SCHEDULE OF FINDINGS  
DECEMBER 31, 1999  
(Continued)**

**Finding #1999-40952-004**

Ohio Admin. Code Section 117-3-11 states, in part, that the Township shall maintain an appropriation ledger which shall contain a separate appropriation account for each appropriation amount. An amount shall be posted to each appropriation account equal to the amount appropriated for that account in the annual appropriation resolution(s). Each encumbrance or expenditure charged against an appropriation account shall be posted and subtracted from the appropriated balance producing a declining unencumbered balance. This procedure is to be initiated by an executed purchase order.

The Township did not maintain an appropriation ledger in 1998, resulting in the inability to monitor purchases and expenditures against approved appropriations.

An appropriation ledger should be maintained by the Township, and should be updated when appropriations are amended by the Township Trustees, when purchases are encumbered, or expenditures are charged against an appropriation account.

This will help the Township monitor approved appropriations and will help ensure that expenditures are limited to authorized appropriations.

**Finding #1999-40952-005**

Ohio Rev. Code Section 5705.10 states that money paid into any fund shall be used only for the purposes for which that fund is established. The Township's financial statements had the following negative cash fund balances:

- At December 31, 1998, the Township carried a negative cash balance in its General Fund of \$97,617, and
- At December 31, 1999, the Township carried a negative cash balance in its General Fund of \$32,927.

Due to certain posting errors and the lack of timely adjustments, the Township made financial decisions based on inaccurate accounting records, and as a result, expended monies that were not available for expenditure, resulting in negative fund balances.

The adjustments are reflected in the financial statements, however, as a result of these adjustments the Township should refile the various budgetary documents with the Budget Commission, and reevaluate their budget for 2000.

**Finding #1999-40952-006**

Ohio Rev. Code Section 5705.39 states that total appropriations from each fund should not exceed the total estimated resources.

At December 31, 1998, the Township had the following funds in which total appropriations exceeded the total estimated resources:

	<u>Appropriation Amount</u>	<u>Estimated Resources</u>	<u>Variance</u>
Special Revenue Police District Fund	\$339,137	\$100,828	\$238,309
Special Revenue Fire District Fund	227,893	201,754	26,139
Debt Service Fund Type	54,000	0	54,000

**SCHEDULE OF FINDINGS  
DECEMBER 31, 1999  
(Continued)**

At February 8, 1999, the Township had the following fund in which total appropriations exceeded the total estimated resources:

	<u>Appropriation Amount</u>	<u>Estimated Resources</u>	<u>Variance</u>
Debt Service Fund	\$ 48,000	\$ 0	\$48,000

At December 31, 1999, the Township had the following funds in which total appropriations exceeded the total estimated resources:

	<u>Appropriation Amount</u>	<u>Estimated Resources</u>	<u>Variance</u>
General Fund	\$408,450	\$393,656	\$14,794
Debt Service Fund	47,407	0	47,407

To ensure compliance with this requirement, the Township should compare current year appropriations to total certified resources, in all funds which are legally required to be budgeted.

**Finding #1999-40952-007**

A necessary step in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. A bank reconciliation means accounting for the differences between the balance on the bank statement(s) and the cash and investment balances according to the entity's records. This process involves adjusting both balances to the adjusted cash balance. From December 1997 through December 1998, the Township did not resolve an unreconciled difference of approximately \$3,000 between the adjusted bank balance and the balance reflected within the Township's accounting records. The annual report for fiscal year 1998 was filed with the Auditor of State with this unresolved difference.

Without complete and accurate monthly bank reconciliations, the Township's internal control is weakened, which could hinder the detection of errors or irregularities by the Township's Management in a timely manner. In addition, Township management is not provided with timely fiscal information that is vital to the continued operations and decision making process of the Township, which could negatively impact on the Township's ability to manage Township operations.

The Township should perform and complete monthly bank reconciliations in a timely manner. Also, a hard copy of each monthly bank reconciliation and the listing of outstanding checks should be filed in the bank activity folder along with the bank statements and supporting documents for the applicable month.

**Finding #1999-40952-008**

An important part of a system of internal control is the ability of management to monitor financial activity. This would include the review of financial activity and the comparison of this activity to an approved budget, authorizing expenditures, and monitoring cash flow.

The Brunswick Hills Trustees failed to properly monitor the financial activity of the Township. This resulted in the failure of the Trustees to detect poor record keeping, negative cash balances, and unreconciled differences between the bank and Township record's.

**SCHEDULE OF FINDINGS**  
**DECEMBER 31, 1999**  
**(Continued)**

The Brunswick Hills Township Trustees should monitor and review the financial activity of the Township. This includes comparing the financial activity to the approved budget, to ensure that the budget is not exceeded and that adjustments are made in a timely manner. Trustees should review the bank reconciliation and fund balances on a monthly basis in order to detect unreconciled balances or unusual items.

Monitoring and review of the financial activity will help detect and possibly prevent errors from occurring in the Township's financial records and help prevent noncompliance with local and state regulations.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**BRUNSWICK HILLS TOWNSHIP**

**MEDINA 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  
APRIL 4, 2000**