



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**BROWN TOWNSHIP
CARROLL COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Brown Township
Carroll County
4213 Lace Road NW
Malvern, Ohio 44644

To the Board of Trustees:

We have audited the accompanying financial statements of Brown Township (the Township) as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2001 and 2000, 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 March 1, 2002 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Jim Petro
Auditor of State

March 1, 2002

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**BROWN TOWNSHIP
CARROLL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$59,849	\$227,721	\$287,570
Special Assessments		1,104	1,104
Intergovernmental Receipts	53,972	119,242	173,214
Charges for Services		2,000	2,000
Licenses, Permits, and Fees		20,241	20,241
Earnings on Investments	2,117	401	2,518
Other Revenue		3,392	3,392
	<u>115,938</u>	<u>374,101</u>	<u>490,039</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	84,129		84,129
Public Safety	33,111	34,147	67,258
Public Works	13,710	266,874	280,584
Health		7,686	7,686
Capital Outlay	232	114,868	115,100
	<u>131,182</u>	<u>423,575</u>	<u>554,757</u>
Total Cash Disbursements			
Total Receipts (Under) Disbursements	<u>(15,244)</u>	<u>(49,474)</u>	<u>(64,718)</u>
Other Financing Receipts:			
Other Financing Sources	<u>788</u>		<u>788</u>
Total Other Financing Receipts			
	<u>788</u>		<u>788</u>
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements	(14,456)	(49,474)	(63,930)
Fund Cash Balances, January 1	<u>70,846</u>	<u>139,003</u>	<u>209,849</u>
Fund Cash Balances, December 31	<u>\$56,390</u>	<u>\$89,529</u>	<u>\$145,919</u>

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

BROWN TOWNSHIP
CARROLL COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - NON-EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Fiduciary Fund Types</u>
	<u>Nonexpendable Trust</u>
Operating Cash Disbursements:	
Supplies and Materials	<u>\$898</u>
Total Operating Cash Disbursements	<u>898</u>
Operating (Loss)	<u>(898)</u>
Fund Cash Balances, January 1	<u>11,619</u>
Fund Cash Balances, December 31	<u><u>\$10,721</u></u>

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

**BROWN TOWNSHIP
CARROLL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$58,769	\$203,875	\$20,000	\$282,644
Special Assessments		1,063		1,063
Intergovernmental Receipts	71,376	118,665		190,041
Charges for Services		2,000		2,000
Licenses, Permits, and Fees		22,230		22,230
Earnings on Investments	3,320	607		3,927
Other Revenue		3,039		3,039
	<u>133,465</u>	<u>351,479</u>	<u>20,000</u>	<u>504,944</u>
Cash Disbursements:				
Current:				
General Government	54,797			54,797
Public Safety	32,146	31,099		63,245
Public Works	11,031	236,871		247,902
Health		10,758		10,758
Debt Service:				
Principal Payments			20,000	20,000
Interest Payments			1,000	1,000
Capital Outlay	100	93,833		93,933
	<u>98,074</u>	<u>372,561</u>	<u>21,000</u>	<u>491,635</u>
Total Receipts Over/(Under) Disbursements	<u>35,391</u>	<u>(21,082)</u>	<u>(1,000)</u>	<u>13,309</u>
Other Financing Receipts:				
Other Financing Sources	40		1,000	1,040
	<u>40</u>		<u>1,000</u>	<u>1,040</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	35,431	(21,082)		14,349
Fund Cash Balances January 1	<u>35,415</u>	<u>160,085</u>		<u>195,500</u>
Fund Cash Balances, December 31	<u>\$70,846</u>	<u>\$139,003</u>		<u>\$209,849</u>

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

BROWN TOWNSHIP
CARROLL COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - NON-EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>Fiduciary Fund Types</u>
	<u>Nonexpendable Trust</u>
Operating Cash Receipts:	
Interest	\$869
Total Operating Cash Receipts	869
Operating Cash Disbursements:	
Supplies and Materials	2,087
Total Operating Cash Disbursements	2,087
Operating (Loss)	(1,218)
Fund Cash Balances, January 1	12,837
Fund Cash Balances, December 31	<u>11,619</u>

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

**BROWN TOWNSHIP
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Brown Township, Carroll County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance and fire 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 disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

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

Certificates of deposit are valued 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

Road and Bridge Fund - This fund receives property tax money to construct, maintain and repair Township roads and bridges.

Fire District Fund - This fund receives property tax money to maintain the fire department.

**BROWN TOWNSHIP
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

3. Debt Service Funds

The debt service fund is used to accumulate resources for the payment of note indebtedness. The Township had the following significant Debt Service Fund:

Debt Service Fund- This fund is used to account for monies received from taxes for the payment of debt principal and interest.

4. Fiduciary Funds (Trust Fund)

This fund is used to account for resources restricted by a legally binding trust agreement. The Township had one fiduciary fund:

Cemetery Bequest Fund- This fund receives interest from a non-expendable cemetery bequest to be used to maintain the cemetery.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2001 and 2000 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.

**BROWN TOWNSHIP
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a cash and investment 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>2001</u>	<u>2000</u>
Demand deposits	\$145,920	\$190,748
Certificates of deposit	<u>10,720</u>	<u>30,720</u>
Total deposits	<u><u>\$156,640</u></u>	<u><u>\$221,468</u></u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) or collateralized by the financial institutions public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 and 2000 follows:

<u>2001 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$187,402	\$116,726	(\$70,676)
Special Revenue	513,066	374,101	(138,965)
Non-Expendable Trust Fund	<u>898</u>	<u>0</u>	<u>(898)</u>
Total	<u><u>\$701,366</u></u>	<u><u>\$490,827</u></u>	<u><u>(\$210,539)</u></u>

<u>2001 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$138,382	\$131,182	\$7,200
Special Revenue	477,123	423,575	53,548
Non-Expendable Trust Fund	<u>898</u>	<u>898</u>	<u>0</u>
Total	<u><u>\$616,403</u></u>	<u><u>\$555,655</u></u>	<u><u>\$60,748</u></u>

**BROWN TOWNSHIP
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY- (Continued)

2000 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$119,873	\$133,505	\$13,632
Special Revenue	468,691	351,479	(117,212)
Debt Service	21,000	21,000	0
Non-Expendable Trust Fund	12,837	869	(11,968)
Total	<u>\$622,401</u>	<u>\$506,853</u>	<u>(\$115,548)</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$98,057	\$98,074	(\$17)
Special Revenue	440,116	372,561	67,555
Debt Service	21,000	21,000	0
Non-Expendable Trust Fund	12,837	2,087	10,750
Total	<u>\$572,010</u>	<u>\$493,722</u>	<u>\$78,288</u>

The Township did not always certify the availability of funds prior to entering into purchase commitments, as required by Ohio Revised Code Section 5705.41(D).

4. 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 payment, 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.

**BROWN TOWNSHIP
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. RETIREMENT SYSTEMS

PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Township has paid all contributions required through December 31, 2001.

6. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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

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

Brown Township
Carroll County
4213 Lace Road NW
Malvern, Ohio 44644

To the Board of Trustees:

We have audited the accompanying financial statements of Brown Township (the Township) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated March 1, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-41210-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated March 1, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated March 1, 2002.

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

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

Jim Petro
Auditor of State

March 1, 2002

**BROWN TOWNSHIP
CARROLL COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2001-41210-001

Non-compliance Citation

Ohio Revised Code Section 5705.41(D), states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. 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 encumbrances. The amount so certified shall be recorded against the applicable appropriation account.

This section also provides two exceptions to the above requirements:

- a. "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 taxing authority may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within thirty days from the receipt of such certificate, if such expenditure is otherwise valid.
- b. If the amount involved is less than \$1,000, the fiscal officer may authorize it to be paid without the affirmation of the Trustees.

Our test of disbursements indicated that 15% of expenditures tested were committed prior to the certification of available funds by the Township Clerk. Neither exception listed above was followed, contrary to Ohio Rev. Code Section 5705.41(D). This condition does not provide adequate accountability over the Township's disbursements. Obligations may be incurred which the Trustees have not authorized or which the Township cannot afford.

We recommend that all Township departments be advised that a purchase order with the certificate of the Clerk be obtained prior to making an order involving the expenditure of money. Any request for payment from a vendor without such purchase order should be reviewed by management before the payment is made.

**BROWN TOWNSHIP
CARROLL COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-41210-001	ORC 5705.41(D), Failure to certify funds	No	Not corrected.



STATE OF OHIO
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BROWN TOWNSHIP

CARROLL 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
MAY 9, 2002**