

Bratton Township

Adams County

January 1, 2008 through December 31, 2009

Years Audited Under GAGAS: 2008 and 2009

Caudill & Associates, CPA's

725 5th Street Portsmouth, OH 45662

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Dave Yost • Auditor of State

Board of Trustees
Bratton Township
2535 Loudon Road
Peebles, Ohio 45660

We have reviewed the *Independent Auditor's Report* of Bratton Township, Adams County, prepared by Caudill & Associates, CPAs, for the audit period January 1, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Finding for Recovery Repaid

Per Ohio Rev. Code Section 505.60, the board of township trustees of any township may procure and pay all or any part of the cost of insurance policies that may provide benefits for township officers and employees. According to Ohio Rev. Code Section 505.601, if a board of township trustees does not procure an insurance policy or group health care services, the board of township trustees may reimburse any township officer or employee for each out-of-pocket premium attributable to the coverage provided for that officer or employee for insurance benefits. To provide the reimbursement the board of township trustees shall adopt a resolution that states that the township has chosen not to procure a health care plan and has chosen instead to reimburse its officers and employees for each out-of-pocket premium. The resolution shall provide for a uniform maximum monthly or yearly payment amount for each officer or employee to cover themselves and their immediate dependents, beyond which the township will not reimburse the officer or employee.

According to Bratton Township's Trustee Resolution 2008-038, the Township would not provide health insurance for elected officials and employees. The Township would however reimburse its elected officials and employees for verifiable out-of-pocket expenses not to exceed \$3,500 in one year. The benefits to be reimbursed were health and dental benefits procured by the individual.

Township Trustee Alan Clough secured an individual health insurance plan and made payments directly to the insurance company during 2008. Township Trustee Alan Clough received quarterly reimbursements from Bratton Township in the amount of \$1,012.37 for a total annual reimbursement of \$4,049.48. These reimbursements exceeded the maximum allowable amount as stated in the Township's Resolution.

Trustee Alan Clough's should have a received a reimbursement of \$3,500, the maximum stated in the Townships' Resolution. Therefore, Alan Clough was reimbursed \$549.48 more than allowed per Resolution 2008-038.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Township Trustee Alan Clough and his bonding company, Ohio Township Association Risk Management Authority, in the amount of \$549 and in favor of Bratton Township's General fund.

On June 30, 2011 Alan Clough paid the Township \$549.48 via a personal check which was deposited by the Fiscal Officer in the Township's bank account for the repayment of this finding.

Finding for Recovery Repaid

Per Ohio Rev. Code Section 505.60, the board of township trustees of any township may procure and pay all or any part of the cost of insurance policies that may provide benefits for township officers and employees. According to Ohio Rev. Code Section 505.601, if a board of township trustees does not procure an insurance policy or group health care services, the board of township trustees may reimburse any township officer or employee for each out-of-pocket premium attributable to the coverage provided for that officer or employee for insurance benefits. To provide the reimbursement, the board of township trustees shall adopt a resolution that states that the township has chosen not to procure a health care plan and has chosen instead to reimburse its officers and employees for each out-of-pocket premium. The resolution shall provide for a uniform maximum monthly or yearly payment amount for each officer or employee to cover themselves and their immediate dependents, beyond which the township will not reimburse the officer or employee.

Furthermore, Attorney General Opinion 2005-038 determined that a Township may not pay directly to the employer of the township officer or employee or to the insurance company the cost of health care, when reimbursing under Ohio Rev. Code Section 505.601. Instead the Township must “reimburse” the officer or employee for their out of pocket premium they incurred. The statute only permits such “reimbursement” and does not provide for paying amounts directly to the health insurance company.

According to Bratton Township’s Trustee Resolution 2008-038, the Township would not provide health insurance for elected officials and employees. The Township would however reimburse its elected officials and employees for verifiable out-of-pocket expenses not to exceed \$3,500 in one year. The benefits to be reimbursed were health and dental benefits procured by the individual.

Bratton Township issued payments directly to the health insurance company for Robert Shiveley’s (a Township employee) individual health insurance premium in 2008. The premiums totaled \$4,272 in 2008. In addition to the issue that the Township should not have paid the insurance company directly, Bratton Township also made payments in excess of the maximum of \$3,500 in 2008 as stipulated in the Township Resolutions. The Township paid \$772 in excess of their approved reimbursement amount.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Robert Shiveley, in the amount of \$772 and in favor of Bratton Township’s General fund.

On June 27, 2011, Robert Shiveley paid the Township \$772 via a personal check which was deposited by the Fiscal Officer in the Township’s bank account for the repayment of this finding.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor’s Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor’s Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Board of Trustees
Bratton Township
2535 Loudon Road Peebles, Ohio 45660
Page -4-

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Bratton Township is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

July 20, 2011

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Bratton Township
Adams County

Table of Contents
For the Years Ended December 31, 2009 and 2008

<u>Title</u>	<u>Page</u>
Independent Auditor's Report	1
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Governmental Fund Types - For the Year Ended December 31, 2009	3
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – Proprietary Fund Type - For the Year Ended December 31, 2008.....	4
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Governmental Fund Types - For the Year Ended December 31, 2008	5
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – Proprietary Fund Type - For the Year Ended December 31, 2008.....	6
Notes to the Financial Statements.....	7
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	13
Schedule of Findings and Responses.....	15
Schedule of Prior Audit Findings	18



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Independent Auditor's Report

Bratton Township
Adams County
2535 Loudon Road
Peebles, Ohio 45660

To the Township Board of Trustees:

We have audited the accompanying financial statements of Bratton Township, Adams County, (the Township) as of and for the years ended December 31, 2009 and 2008. 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, 2009 and 2008 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, 2009 and 2008, or its changes in financial position or cash flows, where applicable, 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 and reserves for encumbrances of Bratton Township, Adams County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.



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Bratton Township
Adams County
Independent Auditor's Report

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2010, 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.

Caudill & Associates, CPA's

Caudill & Associates, CPA's
June 24, 2010

Bratton Township
Adams County
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2009

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Local Taxes	\$ 27,311	\$ 13,915	\$ 41,226
Intergovernmental	24,719	106,195	130,914
Earnings on Investments	32	36	68
Miscellaneous	3,181	-	3,181
Total Cash Receipts	55,243	120,146	175,389
Cash Disbursements:			
Current:			
General Government	38,505	774	39,279
Public Safety	620	14,622	15,242
Public Works	-	93,411	93,411
Health	-	3,262	3,262
Debt Service:			
Redemption of Principal	6,000	-	6,000
Interest and Fiscal Charges	2,670	-	2,670
Total Cash Disbursements	47,795	112,069	159,864
Total Receipts Over Disbursements	7,448	8,077	15,525
Other Financing Receipts / (Disbursements):			
Advances-Out	(5,000)	-	(5,000)
Total Other Financing Receipts / (Disbursements)	(5,000)	-	(5,000)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	2,448	8,077	10,525
Fund Cash Balances, January 1	3,851	79,084	82,935
Fund Cash Balances, December 31	\$ 6,299	\$ 87,161	\$ 93,460
Reserve for Encumbrances, December 31	\$ -	\$ 10	\$ 10

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

Bratton Township
Adams County
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances
Proprietary Fund Type
For the Year Ended December 31, 2009

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 10,780
Total Cash Receipts	10,780
Operating Cash Disbursements:	
Contracted Services	5,803
Supplies and Materials	1,319
Total Cash Disbursements	7,122
Operating Income/(Loss)	3,658
Non-Operating Cash Receipts:	
Advances-In	5,000
Total Non-Operating Cash Receipts	5,000
Net Receipt Over/(Under) Disbursements	8,658
Fund Cash Balances(Deficit), January 1	(1,370)
Fund Cash Balances, December 31	\$ 7,288
Reserve for Encumbrances, December 31	\$ -

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

Bratton Township
Adams County
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2008

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Local Taxes	\$ 25,799	\$ 12,962	\$ 38,761
Intergovernmental	27,780	108,600	136,380
Earnings on Investments	27	39	66
Miscellaneous	1,349	-	1,349
Total Cash Receipts	54,955	121,601	176,556
Cash Disbursements:			
Current:			
General Government	58,025	-	58,025
Public Safety	-	14,412	14,412
Public Works	-	95,281	95,281
Health	1,250	-	1,250
Capital Outlay	-	17,433	17,433
Debt Service:			
Redemption of Principal	6,000	-	6,000
Interest and Fiscal Charges	3,494	-	3,494
Total Cash Disbursements	68,769	127,126	195,895
Total Receipts Over Disbursements	(13,814)	(5,525)	(19,339)
Other Financing Receipts(Disbursements):			
Transfers-In	-	888	888
Transfers-Out	(888)	-	(888)
Advances-In	13,816	19,816	33,632
Advances-Out	(13,816)	(19,816)	(33,632)
Total Other Financing Receipts/(Disbursements)	(888)	888	-
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(14,702)	(4,637)	(19,339)
Fund Cash Balances, January 1 , Restated - See Note 9	18,553	83,721	102,274
Fund Cash Balances, December 31	\$ 3,851	\$ 79,084	\$ 82,935
Reserve for Encumbrances, December 31	\$ -	\$ 10	\$ 10

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

Bratton Township
Adams County
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances
Proprietary Fund Type
For the Year Ended December 31, 2008

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 6,810
Total Cash Receipts	6,810
Operating Cash Disbursements:	
Contracted Services	5,325
Supplies and Materials	170
Total Cash Disbursements	5,495
Operating Income/(Loss)	1,315
Fund Cash Balances(Deficit), January 1	(2,685)
Fund Cash Balances(Deficit), December 31	\$ (1,370)
Reserve for Encumbrances, December 31	\$ -

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

Bratton Township
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 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 Bratton Township - Adams, Adams County, (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with Franklin Township for fire protection.

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

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements basis of accounting. 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 adequately disclose material matters, as the Auditor of State prescribes or permits.

C. Cash Deposits

The Township funds are deposited in an interest-bearing checking account. All deposits 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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds of 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:

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

Motor Vehicle License Tax Fund - This fund receives motor vehicle tax money to pay for constructing, maintaining, and repairing Township roads.

Note 1 – Summary of Significant Accounting Policies (Continued)

3. Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds

Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Township's only enterprise fund is the water fund.

Water Fund – The water fund accounts for the provision of water to the residents and commercial users located within the Township.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. 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.

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.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. 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.

Bratton Township
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 2 – Equity in Pooled Cash and Investments

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

	2009	2008
Demand Deposits	<u>\$100,748</u>	<u>\$ 81,565</u>
Total Deposit	<u>\$100,748</u>	<u>\$ 81,565</u>

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

Note 3 – Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts

	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$57,426	\$55,243	\$(2,183)
Special Revenue	95,419	120,146	24, 727
Enterprise	9,355	10,780	1,425
Total	<u>\$162,200</u>	<u>\$186,169</u>	<u>\$23,969</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

	Appropriation	Budgetary	
Fund Type	Authority	Expenditures	Variance
General	\$60,363	\$47,795	\$12,568
Special Revenue	139,300	112,079	27,221
Enterprise	11,500	7,122	4,378
Total	<u>\$211,163</u>	<u>\$166,996</u>	<u>\$44,167</u>

2008 Budgeted vs. Actual Receipts

	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$49,959	\$54,955	\$4,996
Special Revenue	150,850	122,489	(28,361)
Enterprise	5,000	6,810	1,810
Total	<u>\$205,809</u>	<u>\$184,254</u>	<u>\$(21,555)</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

	Appropriation	Budgetary	
Fund Type	Authority	Expenditures	Variance
General	\$58,403	\$69,657	\$(11,254)
Special Revenue	128,080	127,136	944
Enterprise	0	5,495	(5,495)
Total	<u>\$186,483</u>	<u>\$202,288</u>	<u>\$(15,805)</u>

Bratton Township
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 4 - Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

Note 5 - Debt

The Township's long-term debt outstanding at December 31, 2009 was as follows:

	Principal Outstanding 12/31/09
Building Bond	42,000

The Township issued general obligation bonds to finance the acquisition and construction of a community building.

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

Year Ending December 31:	Community Building Bond Principal	Interest
2010	\$6,000	\$2,325
2011	6,000	1,980
2012	6,000	1,636
2013	6,000	1,292
2014	6,000	947
2015-2016	12,000	861
Total	\$42,000	\$9,041

Note 6 – Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10% of their gross salaries, and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2009.

Bratton Township
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 7 – Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles. APEEP provides supplemental risk coverage for claims exceeding OTARMA claims coverage.

Casualty 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, 2008, OTARMA retained \$350,000 for casualty claims and \$100,000 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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Assets	\$40,737,740	\$43,210,703
Liabilities	12,981,818	13,357,837
Retained Earnings	<u>\$27,755,922</u>	<u>\$29,852,866</u>

At December 31, 2008 and 2007, respectively, liabilities above include approximately \$12.1 million and \$12.5 million of estimated incurred claims payable. The assets and net assets above also include approximately \$10.9 million and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township’s share of these unpaid claims collectible in futures years is approximately \$35,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
2009	\$3,762
2008	4,211
2007	4,337

Bratton Township
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 7 – Risk Management (Continued)

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 8 – Compliance

During 2008, the Township did not properly appropriate money that was expended from the General, Fire and Permissive Motor Vehicle Funds as required by Ohio Revised Code 5705.41(B).

During 2008 and 2009, the Township did not properly certify the availability of funds prior to obligation as required by Ohio Revised Code 5705.41(D).

Contrary to Ohio Revised Code 5705.10, the Township's Water Sales Fund had a negative fund balance as of December 31, 2008. This indicates that money from other funds was used to cover the expenses of the Water Sales fund. This section provides that all money paid into a fund must be used only for purposes for which the fund was established.

Note 9 – Restatement

Special Revenue funds were restated to void long outstanding checks. The restatement had the following effect on fund balance:

Fund Balance, December 31, 2007	\$83,106
Restatement	<u>615</u>
Restated Fund Balance, December 31, 2007	\$83,721



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Member American Institute of Certified Public Accountants

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Kentucky Society of Certified Public Accountants

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Bratton Township
Adams County
2535 Loudon Road
Peebles, Ohio 45660

To the Township Board of Trustees:

We have audited the financial statements of Bratton Township, Adams County, (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated June 24, 2010, 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. 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 and responses we identified certain deficiencies in internal control over financial reporting, that we consider to be 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 combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected. We consider findings 2009-001 and 2009-002 described in the accompanying schedule of findings and responses to be material weaknesses.

Bratton Township
Adams County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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 that we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2009-003 through 2009-005.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 24, 2010.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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

Caudill & Associates, CPA's

Caudill & Associates, CPA's
June 24, 2010

Bratton Township
Adams County
Schedule of Findings and Responses
For the Years Ended December 31, 2009 and 2008

Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS
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Finding Number 2009-001

Material Weakness - Misclassification of Receipts and Disbursements

The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 115, establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client's internal control over financial reporting. This standard requires the auditor to report *in writing* to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses. The Township erroneously posted several receipts and disbursements to incorrect line items and, in limited instances, improper funds. This required reclassifications and adjustments to properly present the activity of the Township in both years. We recommend the Township implement control procedures related to financial reporting that enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes.

Township Response:

Township officials will monitor the allocation of receipts, transfers and disbursements more closely to properly represent the activities of the Township. Township will code receipts in accordance with the Township Handbook published by the Auditor of State.

Finding Number 2009-002

Material Weakness – System Discrepancies

The receipt book in 2008 did not reconcile to the Receipt Register in the accounting system (UAN).

During 2009 the Township's accounting system (UAN) did not properly reflect all budgetary data approved by the Board of Trustees.

This may lead to deficient spending or other budgetary issues. It also may lead to the misappropriation of the Township's assets.

The Township should maintain adequate supporting documentation for monies received, including receipts or copies of checks and receipts. The Township accounting system should accurately reflect all budgetary items approved by the Board of Trustees.

Township Response:

The Township will maintain adequate documentation for all transactions.

Bratton Township
Adams County
Schedule of Findings and Responses
For the Years Ended December 31, 2009 and 2008

Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS(Cont.)

Finding Number 2009-003

Noncompliance Citation

Ohio Revised Code Section 5705.10 requires that all money paid into any fund be used only for purposes for which the fund is established.

Contrary to this requirement, the Township Water Sales ended the year with a negative fund balance amount (\$1,370) as of December 21, 2008.

Negative fund balances indicate that money from one fund was used to cover the expenses of another fund.

Money in any fund should only be used for the purpose for which the fund was established.

Township Response:

The Township will ensure money in any fund will only be used for the purposes for which the fund was established.

Finding Number 2009-004

Noncompliance Citation

Ohio Revised Code Section 5705.41(B), states that no subdivision or taxing unit is to expend money unless it has been appropriated.

During 2008 expenditures exceeded appropriations at the legal level of control in the General Fund by \$11,254, the Fire Fund by \$312, the Permissive Motor Vehicle Fund by \$169 and the Water Sales Fund by \$5,495.

Failure to limit expenditures by approving appropriations and obtaining a revised certificate of estimated resources by the County Auditor could result in deficit spending and deficit fund balances.

The Fiscal Officer should deny payment requests and not certify the availability of funds exceeding appropriations and amending estimated resources, if necessary.

Township Response:

The Township will monitor budgetary compliance more closely.

Bratton Township
Adams County
Schedule of Findings and Responses
For the Years Ended December 31, 2009 and 2008

Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS(Cont.)

Finding Number 2009-005

Noncompliance Citation

Ohio Revised Code Section 5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer 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.

The statute provides the following exception to this basic requirement:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, 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. 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 \$3,000 for political subdivisions other than counties 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.

Thirteen percent of non-payroll disbursements tested in 2008 and twenty-six percent tested in 2009 were not encumbered prior to commitment in accordance with the Ohio Revised Code.

Township Response:

The Township will monitor budgetary compliance more closely.

Bratton Township
Adams County
Schedule of Prior Audit Findings
For the Years Ended December 31, 2009 and 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2007-001	Ohio Revised Code Section 5705.09(C)	Yes	
2007-002	Ohio Revised Code Section 507.04	Yes	
2007-003	Ohio Revised Code Section 5705.10	No	Reissued as Finding 2009-003
2007-004	Ohio Revised Code Section 5705.36	Yes	
2007-005	Ohio Revised Code Section 5705.39	Yes	
2007-006	Ohio Revised Code Section 5705.40	Yes	
2007-007	Ohio Revised Code Section 5705.41(B)	No	Reissued as Finding 2009-004
2007-008	Ohio Revised Code Section 5705.41(D)	No	Reissued as Finding 2009-005
2007-009	Material Weakness – System Discrepancies	No	Reissued as Finding 2009-002
2007-010	Significant Deficiency – Payroll Procedures	Yes	
2007-011	Material Weakness – Misclassification of Receipts and Disbursements	No	Reissued as Finding 2009-001
2007-012	Material Weakness – Signed blank checks and manual checks	Yes	



Dave Yost • Auditor of State

BRATTON TOWNSHIP

ADAMS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 2, 2011**