



Dave Yost • Auditor of State

**AUSTINTOWN TOWNSHIP
MAHONING COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Austintown Township
Mahoning County
82 Ohltown Road
Youngstown, Ohio 44515

To the Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Austintown Township, Mahoning County, (the Township) as of and for the year ended December 31, 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2012, or changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Austintown Township, Mahoning County as of December 31, 2012, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2014, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

January 23, 2014

**AUSTINTOWN TOWNSHIP
MAHONING COUNTY**

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

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$935,329	\$6,303,503			\$7,238,832
Licenses, Permits and Fees	230,412	300,801			531,213
Fines and Forfeitures	26,065	64,462			90,527
Intergovernmental	1,289,044	2,041,846	\$276,046		3,606,936
Special Assessments			117,288		117,288
Earnings on Investments	3,711	656		\$23	4,390
Miscellaneous	22,702	299,921			322,623
<i>Total Cash Receipts</i>	<u>2,507,263</u>	<u>9,011,189</u>	<u>393,334</u>	<u>23</u>	<u>11,911,809</u>
Cash Disbursements					
Current:					
General Government	677,210	179,901	4,158		861,269
Public Safety	50,591	7,444,594			7,495,185
Public Works		1,871,208	3,157		1,874,365
Health	173,754	13,746			187,500
Human Services		182,487			182,487
Conservation-Recreation		316,456			316,456
Capital Outlay	4,806	424,117	1,233,321		1,662,244
Debt Service:					
Principal Retirement		600,000			600,000
Interest and Fiscal Charges		14,408	15,735		30,143
<i>Total Cash Disbursements</i>	<u>906,361</u>	<u>11,046,917</u>	<u>1,256,371</u>	<u>0</u>	<u>13,209,649</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,600,902</u>	<u>(2,035,728)</u>	<u>(863,037)</u>	<u>23</u>	<u>(1,297,840)</u>
Other Financing Receipts (Disbursements)					
Sale of Notes		600,000	830,000		1,430,000
Sale of Capital Assets	1	13,640			13,641
Transfers In		1,056,185	42,699		1,098,884
Transfers Out	(1,098,884)				(1,098,884)
Advances In	1,341,380	669,439	115,850		2,126,669
Advances Out	(1,207,595)	(853,224)	(115,850)		(2,176,669)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(965,098)</u>	<u>1,486,040</u>	<u>872,699</u>	<u>0</u>	<u>1,393,641</u>
<i>Net Change in Fund Cash Balances</i>	635,804	(549,688)	9,662	23	95,801
<i>Fund Cash Balances, January 1</i>	446,255	1,332,845	25,487	4,499	1,809,086
Fund Cash Balances, December 31					
Restricted	0	744,865	35,149	3,033	783,047
Committed	30,577	18,483	0	1,489	50,549
Assigned	0	19,809	0	0	19,809
Unassigned (Deficit)	1,051,482	0	0	0	1,051,482
<i>Fund Cash Balances, December 31</i>	<u>\$1,082,059</u>	<u>\$783,157</u>	<u>\$35,149</u>	<u>\$4,522</u>	<u>\$1,904,887</u>

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

**AUSTINTOWN TOWNSHIP
MAHONING COUNTY**

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

	Proprietary Fund Types		Fiduciary Fund Types	Totals
	Enterprise	Internal Service	Agency	(Memorandum Only)
Operating Cash Receipts				
Fines and Forfeitures			\$3,353	\$3,353
Miscellaneous	\$152,572	\$819,088		971,660
<i>Total Operating Cash Receipts</i>	<u>152,572</u>	<u>819,088</u>	<u>3,353</u>	<u>975,013</u>
Operating Cash Disbursements				
Salaries		446,941		446,941
Employee Fringe Benefits		188,028	1,714	189,742
Purchased Services	71,153	58,156	74,792	204,101
Supplies and Materials		5,784		5,784
Other	11,255	627	15,605	27,487
<i>Total Operating Cash Disbursements</i>	<u>82,408</u>	<u>699,536</u>	<u>92,111</u>	<u>874,055</u>
<i>Operating Income (Loss)</i>	<u>70,164</u>	<u>119,552</u>	<u>(88,758)</u>	<u>100,958</u>
Non-Operating Receipts (Disbursements)				
Intergovernmental		812		812
Miscellaneous Receipts	24,852	14,405	4,362	43,619
Capital Outlay	(245,019)	(3,342)		(248,361)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(220,167)</u>	<u>11,875</u>	<u>4,362</u>	<u>(203,930)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	<u>(150,003)</u>	<u>131,427</u>	<u>(84,396)</u>	<u>(102,972)</u>
Advances In	100,000	322,305		422,305
Advances Out	(50,000)	(322,305)		(372,305)
<i>Net Change in Fund Cash Balances</i>	<u>(100,003)</u>	<u>131,427</u>	<u>(84,396)</u>	<u>(52,972)</u>
<i>Fund Cash Balances, January 1</i>	<u>115,418</u>	<u>45,625</u>	<u>104,422</u>	<u>265,465</u>
<i>Fund Cash Balances, December 31</i>	<u>\$15,415</u>	<u>\$177,052</u>	<u>\$20,026</u>	<u>\$212,493</u>

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

**AUSTINTOWN TOWNSHIP
MAHONING COUNTY**

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

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 the Austintown Township, Mahoning County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general services, road and bridge maintenance, police and fire protection, cemetery maintenance, park and recreation, and zoning services.

The Township participates in two jointly governed organizations. Note 9 to the financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organizations:

ABC Water and Storm Water District – Austintown Township participates in a jointly governed water district with Boardman Township and the City of Canfield. The district formed in 2010 with the intent to sell water to other nearby communities.

Austintown-Boardman Joint Communications District was established pursuant to Chapter 167 of the Ohio Revised Code. Original members of the District shall be Austintown and Boardman Township. Subsequent membership in the District of other townships and other political subdivisions as provided by law and upon agreement of the parties by amendment of the Original agreement to include any new members.

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

B. Accounting Basis

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

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

C. Deposits and Investments

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

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report. Certificates of Deposit are recorded at cost on the date purchased.

**AUSTINTOWN TOWNSHIP
MAHONING COUNTY**

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

1. Summary of Significant Accounting Policies – (Continued)

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

Police District Fund - This fund receives property tax money to provide police protection for Township residents.

Fire District Fund - This fund receives property tax money to provide fire protection for Township residents.

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project funds

Lighting District – Special assessments are used to maintain Township lights.

Communications Equipment Fund – A joint communications district was established with Boardman Township to provide communications equipment, personnel and services to the District. This fund received debt proceeds for equipment purchases.

4. Permanent Funds

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting Township's programs (for the benefit of the Township or its citizenry). The Township had the following significant permanent fund:

Cemetery Bequests Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of those specific family plots/graves within the Township's cemeteries.

**AUSTINTOWN TOWNSHIP
MAHONING COUNTY**

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

1. Summary of Significant Accounting Policies – (Continued)

5. Enterprise Fund

This fund accounts for any activity for which a fee is charged to external users for goods or services. The Township has one enterprise fund.

Westchester Building Fund – This fund collects rental income from the building to be used for Parks and Recreation.

6. Internal Service Fund

This fund accounts for services provided by one department to other departments of the Township unit. The Township had the following Internal Service Funds:

Communications Fund – This fund receives reimbursements from other funds to pay for the operation of the Fire and Police Dispatch which also services 911 and the entire phone system for the Township.

Maintenance Fund – This fund receives reimbursements from other funds based on the department utilization to pay for the maintenance of Township vehicles and equipment.

7. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization or other governments. The Township's agency funds account for Unclaimed Monies, Employee contributions to Flexible Spending, Custodial Holdings such as fire loss insurance proceeds and Task Force forfeiture pending monies.

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 object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**AUSTINTOWN TOWNSHIP
MAHONING COUNTY**

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

1. Summary of Significant Accounting Policies – (Continued)

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 approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law.

A summary of 2012 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

**AUSTINTOWN TOWNSHIP
MAHONING COUNTY**

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

1. Summary of Significant Accounting Policies – (Continued)

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

2. Equity in Pooled Deposits and Investments

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

	<u>2012</u>
Demand deposits	\$579,549
Certificates of deposit	3,033
Total deposits	<u>582,582</u>
Repurchase agreement	1,534,798
Total investments	<u>1,534,798</u>
Total deposits and investments	<u><u>\$2,117,380</u></u>

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

Investments: The Township's investments are limited to Certificates of Deposit and Sweep Repurchase Agreements.

The Township's financial institution transfers securities to the Township's agent to collateralize repurchase agreements. The securities are not in the Township's name.

**AUSTINTOWN TOWNSHIP
MAHONING COUNTY**

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

3. Budgetary Activity

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

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,994,794	\$2,507,264	\$512,470
Special Revenue	10,430,907	10,681,014	250,107
Capital Projects	1,265,283	1,266,033	750
Enterprise	214,582	177,424	(37,158)
Internal Service	691,027	834,305	143,278
Permanent	22	23	1
Fiduciary	4,853	7,715	2,862
Total	<u>\$14,601,468</u>	<u>\$15,473,778</u>	<u>\$872,310</u>

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,413,762	\$2,005,245	\$408,517
Special Revenue	11,349,029	11,046,917	302,112
Capital Projects	1,290,537	1,256,371	34,166
Enterprise	330,000	327,427	2,573
Internal Service	731,183	702,878	28,305
Fiduciary	108,638	92,111	16,527
Total	<u>\$16,223,149</u>	<u>\$15,430,949</u>	<u>\$792,200</u>

Contrary to Ohio law, the Township failed to encumber commitments in 57% of the expenditures tested.

4. Property Tax

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

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

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

**AUSTINTOWN TOWNSHIP
MAHONING COUNTY**

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

5. Debt

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
Communications Equipment Note	\$830,000	3.50%
Total	\$830,000	

The Township issued the Communications Equipment Note to finance the purchase of communication equipment for the Township's 911 system. The Township's taxing authority collateralized this note.

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

Year ending December 31:	Communication Equipment Notes
2013	\$71,298
2014	71,757
2015	71,165
2016	71,520
2017	70,823
2018-2022	356,463
2023-2027	352,980
Total	\$1,066,006

6. Retirement Systems

The Township's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012, OP&F participants contributed 10% of their wages. For 2012, the Township contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. For 2012, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2012.

**AUSTINTOWN TOWNSHIP
MAHONING COUNTY**

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

7. Risk Management

Commercial Insurance

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member Townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles

Casualty and Property Coverage

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

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 Township.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011.

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

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.9 and \$8.6 million of unpaid claims to be billed to approximately 944 member Townships in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$53,000.

**AUSTINTOWN TOWNSHIP
MAHONING COUNTY**

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

7. Risk Management – (Continued)

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>	
<u>2012</u>	<u>2011</u>
\$72,146	\$71,960

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

8. Contingent Liabilities

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

9. Jointly Governed Organizations

ABC Water and Storm Water District – Austintown Township participates in a jointly governed water district with Boardman Township and the City of Canfield. The district formed in 2010 with the intent to sell water to other nearby communities.

Austintown-Boardman Joint Communications District was established pursuant to Chapter 167 of the Ohio Revised Code. Original members of the District shall be Austintown and Boardman Townships. Subsequent membership in the District of other townships and other political subdivisions as provided by law and upon agreement of the parties by amendment of the Original agreement to include any new members.

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Dave Yost • Auditor of State

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

Austintown Township
Mahoning County
82 Ohltown Road
Youngstown, Ohio 44515

To the Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Austintown Township, Mahoning County, (the Township) as of and for the year ended December 31, 2012, and the related notes to the financial statements and have issued our report thereon dated January 23, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001.

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Entity's Response to Findings

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Dave Yost
Auditor of State
Columbus, Ohio

January 23, 2014

**AUSTINTOWN TOWNSHIP
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-001

Noncompliance Citation

Ohio Revised Code § 5705.41(D) prohibits a subdivision or taxing unit from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

- A. "Then and Now" Certificate** – If the fiscal officer can certify that both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certificate ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrances, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by resolution or ordinance. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

- B. Blanket Certificate** – Fiscal officers may prepare "blanket" certificates not exceeding an amount established by resolution or ordinance adopted by the legislative authority against any specific line item account over a period not running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any particular line item appropriation.

- C. Super Blanket Certificate** – The Township may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certificate is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Sixteen out of twenty eight expenditures (57%) tested for the audit period, were not certified by the fiscal officer at the time the commitment was incurred, and there was no evidence the Township followed the aforementioned exceptions. Failure to properly certify the availability of the funds can result in overspending funds and negative cash fund balances.

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

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

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

Official's Response:

It was an oversight on our part and once brought to our attention, we took corrective action to resolve the noncompliance citation.



Dave Yost • Auditor of State

AUSTINTOWN TOWNSHIP

MAHONING 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 10, 2014**