



Dave Yost • Auditor of State

**BROOKFIELD TOWNSHIP
TRUMBULL COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Brookfield Township
Trumbull County
6844 Strimbu Drive
Brookfield, Ohio 44403

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Brookfield Township, Trumbull County, (the Township) as of and for the years ended December 31, 2013 and 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, 2013 and 2012, or changes in financial position thereof for the years 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 Brookfield Township, Trumbull County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years 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 July 24, 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

July 24, 2014

**BROOKFIELD TOWNSHIP
TRUMBULL COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$43,989	\$1,288,599	\$145,719	\$1,478,307
Charges for Services		398,718		398,718
Licenses, Permits and Fees	101,205	26,200		127,405
Fines and Forfeitures	5,423	738		6,161
Intergovernmental	178,194	621,076		799,270
Special Assessments		19,997		19,997
Earnings on Investments	57	24		81
Miscellaneous	13,223	24,984		38,207
<i>Total Cash Receipts</i>	<u>342,091</u>	<u>2,380,336</u>	<u>145,719</u>	<u>2,868,146</u>
Cash Disbursements				
Current:				
General Government	371,305	1,814		373,119
Public Safety	10,697	1,978,996		1,989,693
Public Works	81,291	360,480		441,771
Health	24,925	56,155		81,080
Conservation-Recreation	32,927	1,565		34,492
Supplies and Materials		13,820		13,820
Capital Outlay	38,962	19,868		58,830
Debt Service:				
Principal Retirement		12,238	122,399	134,637
Interest and Fiscal Charges		4,262	23,320	27,582
<i>Total Cash Disbursements</i>	<u>560,107</u>	<u>2,449,198</u>	<u>145,719</u>	<u>3,155,024</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(218,016)</u>	<u>(68,862)</u>	<u>0</u>	<u>(286,878)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(218,016)</u>	<u>(68,862)</u>	<u>0</u>	<u>(286,878)</u>
<i>Fund Cash Balances, January 1</i>	<u>906,486</u>	<u>232,910</u>	<u>302</u>	<u>1,139,698</u>
Fund Cash Balances, December 31				
Restricted	0	172,250	302	172,552
Unassigned (Deficit)	688,470	(8,202)	0	680,268
<i>Fund Cash Balances, December 31</i>	<u><u>\$688,470</u></u>	<u><u>\$164,048</u></u>	<u><u>\$302</u></u>	<u><u>\$852,820</u></u>

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

**BROOKFIELD TOWNSHIP
TRUMBULL 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	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$55,748	\$1,336,518	\$145,719	\$1,537,985
Charges for Services		372,214		372,214
Licenses, Permits and Fees	307,665	34,025		341,690
Fines and Forfeitures	5,772	1,064		6,836
Intergovernmental	417,517	349,653		767,170
Special Assessments		24,288		24,288
Earnings on Investments	287	9		296
Miscellaneous	4,635	88,652		93,287
<i>Total Cash Receipts</i>	<u>791,624</u>	<u>2,206,423</u>	<u>145,719</u>	<u>3,143,766</u>
Cash Disbursements				
Current:				
General Government	250,048	2,437		252,485
Public Safety	1,759	1,725,479		1,727,238
Public Works	31,875	368,705		400,580
Health	18,323	73,027		91,350
Conservation-Recreation	13,347	2,904		16,251
Supplies and Materials		11,587		11,587
Other	17,226			17,226
Capital Outlay	1,200	22,540		23,740
Debt Service:				
Principal Retirement		11,768	116,049	127,817
Interest and Fiscal Charges		4,776	29,670	34,446
<i>Total Cash Disbursements</i>	<u>333,778</u>	<u>2,223,223</u>	<u>145,719</u>	<u>2,702,720</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>457,846</u>	<u>(16,800)</u>	<u>0</u>	<u>441,046</u>
Other Financing Receipts (Disbursements)				
Sale of Bonds		955		955
Other Financing Sources		13,400		13,400
Other Financing Uses		(4,508)		(4,508)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>9,847</u>	<u>0</u>	<u>9,847</u>
<i>Net Change in Fund Cash Balances</i>	457,846	(6,953)	0	450,893
<i>Fund Cash Balances, January 1 (See Note 2)</i>	<u>448,640</u>	<u>239,863</u>	<u>302</u>	<u>688,805</u>
Fund Cash Balances, December 31				
Restricted	0	232,910	302	233,212
Committed	675	0	0	675
Unassigned (Deficit)	905,811	0	0	905,811
<i>Fund Cash Balances, December 31</i>	<u>\$906,486</u>	<u>\$232,910</u>	<u>\$302</u>	<u>\$1,139,698</u>

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

**BROOKFIELD TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 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 Brookfield Township, Trumbull County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, police and fire protection and emergency medical services.

The Township participates in a public entity risk pool. Note 8 to the financial statements provide additional information for this entity. This organization is:

Public Entity Risk Pool:

Ohio Township Association Risk Management Authority (OTARMA) provides property and casualty coverage for its 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.

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.

**BROOKFIELD TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies - (Continued)

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

Fire Fund - This fund receives property tax money to pay fire related services in the Township.

3. Debt Service Fund

This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

Bond Retirement Fund – This fund receives property tax money to pay the debt associated with the Fire Equipment Note.

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, 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. 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 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 2013 and 2012 budgetary activity appears in Note 4.

**BROOKFIELD TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies – (Continued)

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.

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.

**BROOKFIELD TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies – (Continued)

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. Restatement of Prior Year Balances

During 2011, the County Auditor provided the Township \$302 in delinquent taxes related to a Debt Service Note owed from 2006. The \$302 balance was erroneously included in the Special Revenue Fund ending balance. The resulting affect was to decrease the 2012 beginning fund balance in the Special Revenue Fund Type, and increase the beginning fund balance in the Debt Service Fund Type, and was as follows:

Fund Type	Balance December 31, 2011	Adjustment	Balance January 1, 2012
Special Revenue	\$ 240,165	(\$ 302)	\$ 239,863
Debt Service	\$ 0	302	\$ 302

3. 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>2013</u>	<u>2012</u>
Demand deposits	\$308,903	\$20,862
Other time deposits (savings and NOW accounts)	<u>543,917</u>	<u>1,118,836</u>
Total deposits	<u><u>852,820</u></u>	<u><u>1,139,698</u></u>

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

**BROOKFIELD TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$346,650	\$342,091	(\$4,559)
Special Revenue	2,394,198	2,380,336	(13,862)
Debt Service	145,719	145,719	0
Total	\$2,886,567	\$2,868,146	(\$18,421)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,160,136	\$560,107	\$600,029
Special Revenue	2,631,123	2,449,198	181,925
Debt Service	145,719	145,719	0
Total	\$3,936,978	\$3,155,024	\$781,954

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$334,131	\$791,624	\$457,493
Special Revenue	2,217,285	2,220,778	3,493
Debt Service	145,986	145,719	(267)
Total	\$2,697,402	\$3,158,121	\$460,719

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$808,942	\$333,778	\$475,164
Special Revenue	2,427,914	2,227,731	200,183
Debt Service	145,719	145,719	0
Total	\$3,382,575	\$2,707,228	\$675,347

Contrary to Ohio law, the Fiscal Officer did not encumber all obligations as required by Ohio Rev. Code § 5705.41(D).

**BROOKFIELD TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

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.

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

5. Debt

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Farmers National Bank - Consolidated Loan	\$336,094	5.375%
USDA Ambulance Loan	100,529	5.878%
Total	\$436,623	

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

The Township issued general obligation notes to finance the purchase of an Ambulance for the Fire department through the United States Department of Agriculture (USDA). The Township's taxing authority collateralized the notes

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

	Farmers National Bank	USDA Ambulance Loan
Year ending December 31:		
2014	\$145,719	\$16,490
2015	145,719	16,484
2016	72,802	16,474
2017		16,463
2018		16,461
2019-2023		32,866
Total	\$364,240	\$115,238

**BROOKFIELD TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

6. Lease to Own Vehicles

The Police Department entered into a lease to own agreement with Dollar Leasing Corporation during 2011 for the purchase of one police cruiser for a total of \$24,636. The Township owes principal in the amount of \$9,722 and a total of principal and interest of \$10,444. The agreement to lease purchase will be paid in full during February 2015.

7. Retirement Systems

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Part-time Fire Firefighters pay into the Social Security System. 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 2013 and 2012, OP&F participants contributed 10.75 and 10%, respectively, of their wages. For 2013 and 2012, Social Security participants contributed 6.2 and 4.2%, respectively, for their wages. For 2013 and 2012, the Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages, respectively. For 2013 and 2012, OPERS law enforcement members contributed 12.60% and 12.10%, respectively, of their gross salaries and the Township contributed an amount equaling 18.10% of participants' gross salaries. For 2013 and 2012, OPERS local 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, 2013.

8. 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. 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 governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

**BROOKFIELD TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

8. Risk Management – (Continued)

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2013 and 2012 (the latest information available):

	<u>2013</u>	<u>2012</u>
Assets	\$34,954,286	\$34,771,270
Liabilities	8,486,363	(9,355,082)
Net Position	\$26,467,923	\$25,416,188

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$26,000

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>	
<u>2013</u>	<u>2012</u>
\$45,000	\$44,782

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.



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

Brookfield Township
Trumbull County
6844 Strimbu Drive
Brookfield, Ohio 44403

To the Township 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 the Brookfield Township, (the Township) as of and for the year ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated July 24, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) 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 opinions 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of 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. We consider finding 2013-002 described in the accompanying schedule of findings to be a material weakness.

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 2013-001.

Entity's Response to Findings

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

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.



Dave Yost
Auditor of State
Columbus, Ohio

July 24, 2014

**BROOKFIELD TOWNSHIP
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

1. Certifying the Availability of Funds

<i>Finding Number</i>	2013-001
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NONCOMPLIANCE

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

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.

1. **"Then and Now" Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("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 encumbrance, 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 ordinance or resolution.

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 that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **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 certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

**Finding Number 2013-001
 (Continued)**

The Township did not always certify the availability of funds at the time of the commitment. Thirty-eight percent (38%) of disbursements tested were not certified before the obligation was incurred. No purchase orders were created for three of the disbursement tested. In addition, one purchase order greater than \$3,000 was not approved by the Board as required. The exceptions listed above were not utilized for the items found to be in noncompliance.

Unless the exceptions noted above are used, prior certification is not only required by statute, but a key control in the disbursement process to assure that purchase commitments receive prior approval.

We recommend the Fiscal Officer certify the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "Then and Now" certification could be used.

Official's Response: Township will communicate requirement to all departments.

2. Revenue and Disbursement Reclassifications

<i>Finding Number</i>	2013-002
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MATERIAL WEAKNESS

An entity's accounting system encompasses the sequence of steps followed in the accounting process, from analyzing and recording transactions, posting entries, adjusting and closing accounts, and preparing financial statements. The Ohio Township Handbook guides Township Fiscal Officers on those sequences of steps in the accounting process.

The following mispostings were noted in the financial accounting system during 2013:

- \$267,220 of intergovernmental revenue was posted as miscellaneous revenue in the Fire District Fund, instead of creating the proper revenue account code.
- \$25,875 in charges for services revenue was posted as miscellaneous revenue in the Fire District Fund, instead of creating the proper revenue account code.
- \$16,500 in debt service (\$12,238 in principal and \$4,262 in interest) was posted to public safety in the Ambulance and Emergency Service Fund.
- \$23,320 in debt service interest and fiscal charges was posted to public safety in the Debt Service Fund.

The following mispostings were noted in the financial accounting system during 2012:

- \$4,950 of intergovernmental revenue was posted as miscellaneous revenue in the Police District Fund, instead of creating the proper revenue account code.
- \$16,544 in debt service (\$11,768 in principal and \$4,776 in interest) was posted to public safety in the Ambulance and Emergency Service Fund.
- \$29,670 in debt service interest and fiscal charges was posted to public safety in the Debt Service Fund.

**Finding Number 2013-002
(Continued)**

The reclassifications were made to the accompanying financial statements. No fund adjustments were required to be made to the Township's financial accounting system.

We recommend that the Fiscal Officer use more care when posting intergovernmental revenue, charges for services, and debt service.

Official's Response: Intergovernmental revenue was posted to "other" revenue because there is no receipt account in our accounting system set up for the receipt of grants, and that the "other" income account, according to the examples in the Ohio Township Handbook, is to be used for any income not specified by other accounts receipts accounts. Fiscal officer will correct.

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**BROOKFIELD TOWNSHIP
TRUMBULL COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Encumbering Obligations	No	Repeated as Finding 2013-001
2011-002	Reclassifications of Revenue	No	Repeated as Finding 2013-002
2011-003	Improper Transfers	Yes	Finding No Longer Valid

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Dave Yost • Auditor of State

BROOKFIELD TOWNSHIP

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 12, 2014**