



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**BROWN TOWNSHIP
VINTON COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Brown Township
Vinton County
28551 Mace Road
McArthur, Ohio 45651

To the Board of Trustees:

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Brown Township, Vinton County, as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2002, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

August 26, 2002

**BROWN TOWNSHIP
VINTON COUNTY**

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$26,007	\$1,275	\$27,282
Intergovernmental	32,367	59,031	91,398
Earnings on Investments	1,819	1,044	2,863
Other Revenue	2,443		2,443
	<hr/>		
Total Cash Receipts	62,636	61,350	123,986
<hr/>			
Cash Disbursements:			
Current:			
General Government	92,952		92,952
Public Safety	1,156	900	2,056
Public Works		29,981	29,981
Health	900		900
Debt Service:			
Redemption of Principal		7,804	7,804
Interest and Fiscal Charges		0	0
	<hr/>		
Total Cash Disbursements	95,008	38,685	133,693
	<hr/>		
Total Cash Receipts Over/(Under) Cash Disbursements	(32,372)	22,665	(9,707)
<hr/>			
Other Financing Receipts and (Disbursements):			
Other Receipts	997		997
	<hr/>		
Total Other Financing Receipts/(Disbursements)	997	0	997
	<hr/>		
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(31,375)	22,665	(8,710)
	<hr/>		
Fund Cash Balances, January 1	75,536	86,348	161,884
	<hr/>		
Fund Cash Balances, December 31	\$44,161	\$109,013	\$153,174
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The notes to the financial statements are an integral part of this statement.

**BROWN TOWNSHIP
VINTON COUNTY**

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$18,156	\$	\$18,156
Intergovernmental	40,218	63,836	104,054
Earnings on Investments	1,968	1,102	3,070
Other Revenue	207		207
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	60,549	64,938	125,487
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
General Government	79,296		79,296
Public Safety	2,736		2,736
Public Works		43,319	43,319
Health	372		372
Conservation - Recreation		1,000	1,000
Debt Service:			
Redemption of Principal		6,196	6,196
Interest and Fiscal Charges		1,607	1,607
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	82,404	52,122	134,526
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	(21,855)	12,816	(9,039)
	<hr/>	<hr/>	<hr/>
Other Financing Receipts and (Disbursements):			
Other Receipts	1,715	4,343	6,058
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	1,715	4,343	6,058
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(20,140)	17,159	(2,981)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	95,676	69,189	164,865
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$75,536	\$86,348	\$161,884
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

**BROWN TOWNSHIP
VINTON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Brown Township, Vinton County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance, and fire protection services. The Township contracts with the Starr Township and McArthur Volunteer Fire Department to provide fire services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

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

C. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

Gasoline Tax Fund - This fund receives gasoline tax money to construct, maintain and repair Township roads.

Motor Vehicle License Tax Fund - This fund receives motor vehicle license tax money to construct, maintain and repair Township roads.

D. Budgetary Process

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

**BROWN TOWNSHIP
VINTON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

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. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are cancelled, and reappropriated in the subsequent year.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. EQUITY IN POOLED CASH

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

Demand deposits	<u>\$153,174</u>	<u>\$161,884</u>
Total deposits	<u><u>\$153,174</u></u>	<u><u>\$161,884</u></u>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation and/or (2) collateralized by the financial institution's public entity deposit pool.

**BROWN TOWNSHIP
VINTON COUNTY**

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

3. BUDGETARY ACTIVITY

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

2001 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$129,940	\$63,633	(\$66,307)
Special Revenue	71,775	61,350	(10,425)
Total	<u>\$201,715</u>	<u>\$124,983</u>	<u>(\$76,732)</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$167,800	\$95,008	\$72,792
Special Revenue	96,500	38,685	57,815
Total	<u>\$264,300</u>	<u>\$133,693</u>	<u>\$130,607</u>

2000 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$69,198	\$62,264	(\$6,934)
Special Revenue	68,620	69,281	661
Total	<u>\$137,818</u>	<u>\$131,545</u>	<u>(\$6,273)</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$158,150	\$82,404	\$75,746
Special Revenue	125,800	52,122	73,678
Total	<u>\$283,950</u>	<u>\$134,526</u>	<u>\$149,424</u>

Accountability and Compliance

The Township did not adopt an appropriation measure for fiscal years 2001 and 2000 until March 14, 2001 and March 8, 2000, respectively, contrary to Ohio Rev. Code Section 5705.38. In addition, expenditures were made at beginning of year without any appropriation authority, contrary to Ohio Rev. Code Section 5705.41(B).

Prior certification of Township funds was not obtained for all expenditures made during 2000 or 2001, contrary to Ohio Rev. Code Section 5705.41 (D).

**BROWN TOWNSHIP
VINTON COUNTY**

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

4. PROPERTY TAX

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

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.

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Equipment Lease	\$14,402	5.75%
Total	\$14,402	

The equipment lease was issued to finance the purchase of a new tractor to be used for Township road maintenance. The lease is collateralized solely by the tractor.

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

	Equipment Lease	Total
Year ending December 31:		
2002	\$7,804	\$7,804
2003	7,804	7,804
Total	\$15,608	\$15,608

6. RETIREMENT SYSTEMS

The Township's officials and employee belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

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

**BROWN TOWNSHIP
VINTON COUNTY**

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

7. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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

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

Brown Township
Vinton County
28551 Mace Road
McArthur, Ohio 43651

To the Board of Trustees:

We have audited the accompanying financial statements of Brown Township, Vinton County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated August 26, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2001-40782-001 through 2001-40782-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated August 26, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated August 26, 2002.

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

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

August 26, 2002

**BROWN TOWNSHIP
VINTON COUNTY**

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

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

FINDING NUMBER 2001-40782-001

Noncompliance Citation

Ohio Revised Code § 5705.41 (D) states, in part, that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation or, in the case of a continuing contract to be performed in whole or in part in an ensuing fiscal year, the amount required to meet the obligation in the fiscal year in which the contract is made, has been lawfully appropriated for such purpose and is in the treasury or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. This certificate need be signed only by the subdivision's fiscal officer. This section provides two "exceptions" to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt by the taxing authority of the subdivision or taxing unit of a certificate of the fiscal officer stating that there was at the time of the making of such contract or order and at the time of execution of such certificate a sufficient sum appropriated for the purchase of such contract and in the treasury or process of collection to the credit of an appropriate fund free from any previous encumbrances, such taxing authority may authorize the drawing of a warrant in payment of amounts due upon such contract, but such resolution or ordinance shall be passed within thirty days from the receipt of such certificate.
- B. If the amount is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Board of Trustees, if such expenditure is otherwise valid.

During our testing of non-payroll expenditures, we noted that 67% of tested expenditures did not contain prior certification. This was a result of these expenditures not being certified by the Township Clerk until after the obligation has been incurred by the Township. The lack of properly obtaining prior certification could lead to purchase commitments being made for which the Township does not have adequate funds.

We recommend the Township complete a purchase order, documenting adequate funds are available, for all expenditures prior to the purchase commitment being made.

FINDING NUMBER 2001-40782-002

Noncompliance Citation

Ohio Rev. Code § 5705.38 states, in part, that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April.

The Board of Trustees did not approve appropriations for fiscal year 2000 and 2001 until March 8, 2000 and March 14, 2001, respectively.

**BROWN TOWNSHIP
VINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2001-40782-003

Noncompliance Citation

Ohio Rev. Code § 5705.41(B) states, in part, that no subdivision or taxing unit is to expend money unless it has been appropriated. As described in Finding 2001-40782-002, the Township did not pass appropriations for fiscal year 2000 and 2001 until March 8, 2000 and March 14, 2001, respectively. This resulted in \$23,472 and \$15,823, respectively, being expended prior to the adoption of appropriations.

Furthermore the following line items had actual expenditures which exceeded appropriations at the legal level of control in 2000:

Year	Fund	Line Item	Appropriations	Actual Expenditures	Variance
2000	Gasoline Tax	Debt – Principal	\$0	\$6,196	(\$6,196)
2000	Gasoline Tax	Debt – Interest	\$0	\$1,607	(\$1,607)

We recommend the Board of Trustees approve, and state in the minutes, as evidence of approval, an appropriation measure by January of each year. This appropriation measure should be submitted to the County Auditor by the same date. We also recommend when the Township anticipates expending more than is appropriated in any fund, an amended appropriation measure be obtained.

**BROWN TOWNSHIP
VINTON COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1999-40782-001	Finding for Recovery due to Board of Trustee salary overpayment	Yes	Finding for Recovery was repaid during 2001 via payroll deductions for both Board of Trustees.
1999-40782-002	Ohio Rev. Code Section 5705.41(D) – Not certifying all purchase commitments	No	Not Corrected; Reissued as Finding 2001-40782-001 in the GAGAS letter.
1999-40782-003	Finding for Recovery due to checks being cashed by Township Clerk and not deposited to Township depository	Yes	Finding for Recovery was repaid during 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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BROWN TOWNSHIP

VINTON 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
SEPTEMBER 19, 2002**