



Mary Taylor, CPA
Auditor of State

**BROWN TOWNSHIP
DELAWARE COUNTY**

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Mary Taylor, CPA
Auditor of State

Brown Township
Delaware County
3832 Main Street
Kilbourne, Ohio 43032

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Township to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

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Auditor of State

September 23, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Brown Township
Delaware County
3832 Main Street
Kilbourne, Ohio 43032

To the Board of Trustees:

We have audited the accompanying financial statements of Brown Township, Delaware County, (the Township) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2009 and 2008, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Brown Township, Delaware County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2010, on our consideration of the Township's internal control over financial reporting and our tests of its contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

September 23, 2010

**BROWN TOWNSHIP
DELAWARE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$ 111,021	\$ 84,874	\$ -	\$ 195,895
Licenses, Permits, and Fees	5,128	11,820		16,948
Intergovernmental	45,268	114,341	124,412	284,021
Earnings on Investments	5,359	370		5,729
Miscellaneous	887	6,000		6,887
	<u>167,663</u>	<u>217,405</u>	<u>124,412</u>	<u>509,480</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	109,974			109,974
Public Works	1,218	160,991		162,209
Health	472	20,903		21,375
Conservation - Recreation	2,929			2,929
Capital Outlay	20,802	5,000	124,412	150,214
	<u>135,395</u>	<u>186,894</u>	<u>124,412</u>	<u>446,701</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>32,268</u>	<u>30,511</u>	<u>-</u>	<u>62,779</u>
Other Financing Receipts / (Disbursements):				
Transfers-In		5,000		5,000
Transfers-Out	(5,000)			(5,000)
	<u>(5,000)</u>	<u>5,000</u>	<u>-</u>	<u>-</u>
Total Other Financing Receipts / (Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	27,268	35,511	-	62,779
Fund Cash Balances, January 1	<u>1,317,142</u>	<u>178,916</u>		<u>1,496,058</u>
Fund Cash Balances, December 31	<u>\$ 1,344,410</u>	<u>\$ 214,427</u>	<u>\$ -</u>	<u>\$ 1,558,837</u>

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

**BROWN TOWNSHIP
DELAWARE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 102,259	\$ 84,757	\$ 187,016
Licenses, Permits, and Fees	3,729	6,224	9,953
Intergovernmental	121,544	118,543	240,087
Earnings on Investments	31,489	2,182	33,671
Miscellaneous	2,110	2,175	4,285
	<u>261,131</u>	<u>213,881</u>	<u>475,012</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	120,043		120,043
Public Works	974	192,898	193,872
Health		26,803	26,803
Conservation - Recreation	1,456		1,456
Capital Outlay	2,425	12,000	14,425
	<u>124,898</u>	<u>231,701</u>	<u>356,599</u>
Total Cash Disbursements			
Total Receipts Over/(Under) Disbursements	<u>136,233</u>	<u>(17,820)</u>	<u>118,413</u>
Other Financing Receipts / (Disbursements):			
Transfers-In		15,000	15,000
Transfers-Out	(15,000)		(15,000)
	<u>(15,000)</u>	<u>15,000</u>	<u>-</u>
Total Other Financing Receipts / (Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	121,233	(2,820)	118,413
Fund Cash Balances, January 1	<u>1,195,909</u>	<u>181,736</u>	<u>1,377,645</u>
Fund Cash Balances, December 31	<u>\$ 1,317,142</u>	<u>\$ 178,916</u>	<u>\$ 1,496,058</u>

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

**BROWN TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

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 Brown Township, Delaware 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.

The Township participates in one jointly governed organization and the OTARMA public entity risk pool. Notes 6 and 7 to the financial statements provides additional information for these entities.

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.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

**BROWN TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

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

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

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

3. Capital Project Fund

This fund accounts for receipts restricted to acquiring or constructing major capital projects. The Township had the following significant capital project fund:

Public Works Commission Project - The Township received funding from the State of Ohio to resurface Harris Road.

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 object level and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

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

**BROWN TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Property, Plant, and Equipment

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

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:

	2009	2008
Demand deposits	\$297,958	\$122,668
STAR Ohio	1,260,879	1,373,390
Total deposits and investments	\$1,558,837	\$1,496,058

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

Investments: Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

3. Budgetary Activity

Budgetary activity for the years ending 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$205,688	\$167,663	(\$38,025)
Special Revenue	497,682	222,405	(275,277)
Capital Projects	103,823	124,412	20,589
Total	\$807,194	\$514,480	(\$292,713)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$455,000	\$140,395	\$314,605
Special Revenue	460,052	186,894	273,158
Capital Projects	124,412	124,412	0
Total	\$1,039,464	\$451,701	\$587,763

**BROWN TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Budgetary Activity (Continued)

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$286,901	\$261,131	(\$25,770)
Special Revenue	439,665	228,881	(210,784)
Total	\$726,566	\$490,012	(\$236,554)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$431,800	\$139,898	\$291,902
Special Revenue	535,942	231,701	304,241
Total	\$967,742	\$371,599	\$596,143

Contrary to Ohio Revised Code § 5705.36(A)(4), appropriations exceeded actual resources in the Road and Bridge fund by \$179,099 for the year ended December 31, 2009 and \$108,812 for the year ended December 31, 2008.

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.

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. Retirement Systems

Employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. 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 2009 and 2008, OPERS members contributed 10% and 10%, respectively, of their gross salaries and the Township contributed an amount equaling 14% and 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2009.

**BROWN TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

6. 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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2008, OTARMA retained \$350,000 for casualty claims and \$100,000 for property claims.

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

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2008 and 2007. (Latest Information Available)

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

At December 31, 2008 and 2007, respectively, liabilities above include approximately \$12.1 and \$12.5 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$10.9 and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$5,000.

**BROWN TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

6. 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>	
2007	\$5,746
2008	\$5,962

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

7. Jointly Governed Organizations

The Township is a member of Tri Township Joint Fire District which provides fire protection and rescue services. The Tri Township Joint Fire District consists of a three-member Board of Trustees that governs the District. Each political subdivision within the District appoints one member. Those subdivisions are Brown Township, Delaware Township and Troy Township.

8. Subsequent Event

On May 5, 2010, the Brown Township citizens voted to renew the Road Improvement Levy of 2.5 mileage.



Mary Taylor, CPA

Auditor of State

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

Brown Township
Delaware County
4989 Bowtown Road
Delaware, Ohio 43015

To the Board of Trustees:

We have audited the financial statements of Brown Township, Delaware County, Ohio, (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated September 23, 2010 wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-002 and 2009-003 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2009-001 and 2009-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated September 23, 2010.

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.

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



Mary Taylor, CPA
Auditor of State

September 23, 2010

**BROWN TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Material Noncompliance

Ohio Revised Code § 5705.36(A)(4) states that upon determination by the fiscal officer of a subdivision that the revenue to be collected will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency. Actual revenue was less than estimated revenues, and the deficiency reduced available resources below the level of current appropriations in the following funds at December 31, 2009 and December 31, 2008.

		Total Available Resources	Appropriations	Variance
2008	Road & Bridge Fund	\$143,618	\$251,800	(\$108,812)
2009	Road & Bridge Fund	\$72,701	\$251,800	(\$179,099)

Failure to monitor actual results and amend appropriations and estimated resources accordingly may result in the Township incurring obligations that exceed their available resources. We recommend that the Township monitor their budgeted and actual resources and appropriations.

Official's Response:

The fiscal officer recognized the problem, and she is currently working on an amended certificate which shows she is keeping the township's budget, resources, and appropriations from exceeding.

FINDING NUMBER 2009-002

Material Noncompliance/Material Weakness

Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16 provide guidelines pertaining to allowable interfund transfers. Ohio Rev. Code Section 5705.14 provides that interfund transfers shall only be made by resolution of the taxing authority. See also 1989 Op. Atty. Gen. No. 89-075 (Ohio Rev. Code Section 5705.14(E) has been interpreted to require a resolution passed by a simple majority when transferring funds from the general revenue fund to specific funds). In certain circumstances, which are detailed in Ohio Rev. Code Section 5705.14, transfers from funds other than the General Fund may be made by a resolution passed by a two-thirds vote of the taxing authority.

Additionally, during 2008, Ohio Revised Code § 5705.05 precluded townships from transferring proceeds of the general levy for current expenses to other township funds for the construction, reconstruction, resurfacing, and repair of roads and bridges. Effective for fiscal year 2009, townships may transfer proceeds of the general levy for current expenses to Road and Bridge Funds via a resolution passed by a simple majority of the governing authority pursuant to Ohio Revised Code § 5705.14(E).

**BROWN TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-002 (Continued)

Material Noncompliance/Material Weakness (Continued)

In 2008 the Township transferred \$95,000 from the General Fund to the Road and Bridge Fund which was never approved by the Township Trustees and was contrary to Ohio Rev. Code § 5705.05, as well as \$5,000 from the General Fund to the Cemetery Fund which was never approved by the Township Trustees. In addition in 2008 the Township approved a transfer from the General Fund to the Road and Bridge Fund of \$16,322 that was contrary to Ohio Revised Code § 5705.05.

We recommend the Township approve all transfers and ensure they are allowable in accordance with the Ohio Revised Code. We also recommend the Township consult their legal counsel, if necessary, to determine the legality of transfers.

These proposed audit adjustments have been adjusted on the Township's financial statements and accounting records.

Official's Response:

The fiscal officer recognized this being an issue in the past, and also recognize that a resolution must be passed for all inter-fund transfers.

FINDING NUMBER 2009-003

Material Weakness

A monitoring system should be in place to prevent or detect material misstatements for the accurate presentation of the Township's financial statements. The following error was noted involving the Township's financial statement presentation.

Posting Error	Opinion Unit	Amount
A reimbursement from the County was incorrectly posted as a receipt in the General Fund rather than a reduction of an expenditure in the Road and Bridge Fund.	General Fund and Road & Bridge Fund 2008	\$48,634

Not presenting financial information accurately resulted in the financial statements requiring the above audit adjusting entry, including additional time and effort to identify variances and discrepancies. The Township's financial statements and accounting records have been adjusted to accurately reflect the above adjustment.

We recommend the Fiscal Officer take steps to ensure the accurate presentation of the financial statements. Financial transactions should be posted in accordance with procedures established by Uniform Account Network (UAN). If necessary, those assigned to identify and summarize UAN financial information should receive training related to UAN reporting. By exercising accuracy in recording financial activity, the Township can reduce posting errors and increase the reliability of the financial data throughout the year and at year-end.

Official's Response:

The fiscal officer has recognized and corrected posting errors and understands where funds should be posted.

**BROWN TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-BRDC-01	Ohio Revised Code § 5705.10 all revenue derived from a special levy is to be credited to a special fund for that purpose of which levy was passed	No	Reissued in the Management Letter
2007-BTDC-02	Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16 transfer not approved by Board of Trustees	No	Reissued as Finding 2009-002

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Mary Taylor, CPA
Auditor of State

BROWN TOWNSHIP

DELAWARE 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
NOVEMBER 18, 2010**