

BROWN TOWNSHIP

DARKE COUNTY

REGULAR AUDIT

JANUARY 1, 2006 THROUGH DECEMBER 31, 2007

YEARS AUDITED UNDER GAGAS: 2007 AND 2006

CAUDILL & ASSOCIATES CPA's

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725 5<sup>th</sup> Street  
Portsmouth, Ohio 45662





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Brown Township  
4752 Elroy Ansonia Road  
Ansonia, Ohio 45303

We have reviewed the *Independent Auditor's Report* of Brown Township, Darke County, prepared by Caudill & Associates, CPA's, for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

September 2, 2008

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**BROWN TOWNSHIP  
DARKE COUNTY**

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# Caudill & Associates, CPA's

725 5<sup>th</sup> Street  
Portsmouth, OH 45662

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants  
Kentucky Society of Certified Public Accountants

## Independent Auditor's Report

Board of Trustees  
Brown Township  
Darke County  
4752 Elroy Ansonia Road  
Ansonia, Ohio 45303

We have audited the accompanying financial statements of the Brown Township (the Township), Darke County, Ohio, as of and for the years ended December 31, 2007 and 2006. 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 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 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.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revisions require presenting entity wide statements and also presenting its larger (i.e. major) funds separately for 2007 and 2006. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, 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, 2007 and 2006, 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, 2007 and 2006, 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 as of the December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2007 and 2006. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2008, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Caudill & Associates, CPAs*

Caudill & Associates, CPA's

June 24, 2008

**BROWN TOWNSHIP  
DARKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>		Totals
	<u>General</u>	<u>Special Revenue</u>	(Memorandum Only)
<b><u>Cash Receipts:</u></b>			
Property and Other Taxes	\$ 20,753	\$ 49,896	\$ 70,649
Intergovernmental	22,964	103,834	126,798
Interest	8,669	937	9,606
Miscellaneous Receipts	2,330	475	2,805
Total Cash Receipts	<u>54,716</u>	<u>155,142</u>	<u>209,858</u>
<b><u>Disbursements:</u></b>			
General Government	37,735	-	37,735
Public Safety	180	32,175	32,355
Public Works	856	37,480	38,336
Health	5,318	681	5,999
Conservation - Recreation	-	677	677
Other	-	76	76
Capital Outlay	-	45,421	45,421
Total Cash Disbursements	<u>44,089</u>	<u>116,510</u>	<u>160,599</u>
Total Receipts Over (Under) Disbursements	<u>10,627</u>	<u>38,632</u>	<u>49,259</u>
<b><u>Other Financing Receipts/ (Disbursements):</u></b>			
Sale of Fixed Assets	<u>8,000</u>	<u>-</u>	<u>8,000</u>
Total Other Financing Receipts	<u>8,000</u>	<u>-</u>	<u>8,000</u>
Excess of Cash Receipts and other Financing Receipts Over / (Under) Disbursements	<u>18,627</u>	<u>38,632</u>	<u>57,259</u>
Fund Cash Balance, January 1	<u>161,922</u>	<u>65,214</u>	<u>227,136</u>
Fund Cash Balance, December 31	<u>\$ 180,549</u>	<u>\$ 103,846</u>	<u>\$ 284,395</u>

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



**BROWN TOWNSHIP  
DARKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		Totals
	<u>General</u>	<u>Special Revenue</u>	(Memorandum Only)
<b><u>Cash Receipts:</u></b>			
Property and Other Taxes	\$ 20,945	\$ 49,672	\$ 70,617
Intergovernmental	27,036	94,339	121,375
Interest	3,970	509	4,479
Miscellaneous Receipts	705	650	1,355
Total Cash Receipts	<u>52,656</u>	<u>145,170</u>	<u>197,826</u>
<b><u>Disbursements:</u></b>			
General Government	37,860	-	37,860
Public Safety	180	28,000	28,180
Public Works	4,948	32,124	37,072
Health	5,205	494	5,699
Conservation - Recreation	-	609	609
Other	-	94	94
Capital Outlay	-	117,403	117,403
Total Cash Disbursements	<u>48,193</u>	<u>178,724</u>	<u>226,917</u>
Total Receipts Over (Under) Disbursements	<u>4,463</u>	<u>(33,554)</u>	<u>(29,091)</u>
Fund Cash Balance, January 1	<u>157,459</u>	<u>98,767</u>	<u>256,226</u>
Fund Cash Balance, December 31	<u>\$ 161,922</u>	<u>\$ 65,213</u>	<u>\$ 227,135</u>

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

**BROWN TOWNSHIP  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**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 Brown Township of Darke County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees governs the Township. The Township provides general government services, including street maintenance and fire protection 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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements basis of accounting. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements adequately disclose material matters the Auditor of State prescribes.

**C. Cash and Investments**

The Township maintains an interest bearing checking account and Certificates of Deposits. The Certificates of Deposits are valued at cost.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

These funds account for proceeds 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:

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

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

Fire District Fund – This fund receives the proceeds from a property tax levy for obtaining the fire protection services for Township residents.

Cemetery Fund – This fund receives proceeds from the sale of lots and cremation services.

**BROWN TOWNSHIP  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

Rescue Fund - This fund provides ambulance services to the Township and collects fees for these services.

**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. 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 commitments are made. Encumbrances outstanding at year end are cancelled, and reappropriated in the subsequent year.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>2007</u>	<u>2006</u>
Demand deposits	\$ 112,605	\$ 64,508
Certificate of Deposits	\$ 171,790	\$ 162,627
Total deposits	<u>\$ 284,395</u>	<u>\$ 227,135</u>

**BROWN TOWNSHIP  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 55,065	\$ 62,716	\$ 7,651
Special Revenue	159,608	155,142	(4,466)
Total	<u>\$ 214,673</u>	<u>\$ 217,858</u>	<u>\$ 3,185</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 66,577	\$ 44,089	\$ 22,488
Special Revenue	176,570	116,510	60,060
Total	<u>\$ 243,147</u>	<u>\$ 160,599</u>	<u>\$ 82,548</u>

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 55,350	\$ 52,656	\$ (2,694)
Special Revenue	138,403	145,170	6,767
Total	<u>\$ 193,753</u>	<u>\$ 197,826</u>	<u>\$ 4,073</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 66,577	\$ 48,193	\$ 18,384
Special Revenue	176,570	178,724	(2,154)
Total	<u>\$ 243,147</u>	<u>\$ 226,917</u>	<u>\$ 16,230</u>

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board of Trustees adopts 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 State pays the Township amounts equaling these deductions. The Township includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Township's behalf.

**BROWN TOWNSHIP  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**5. RETIREMENT SYSTEMS**

The Township's employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

Contribution rates are prescribed by the Ohio Revised Code. For 2007 and 2006, OPERS members contributed 9.5 and 9 percent of their gross wages, respectively, and the Township contributed an amount equal to 13.85 and 13.7 percent, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

**6. RISK MANAGEMENT**

The Township has obtained commercial insurance for the following risks:

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

The Township also provides health insurance coverage to full-time employees through a private carrier.

**7. RELATED PARTY TRANSACTIONS**

Linda Wood, is the Township Fiscal Officer and she also mows the Cemetery for three quarters of the year at a rate of \$8 per hr. In 2007 and 2006, Linda Wood made \$ 3,262 and \$3,732 respectively in gross wages from mowing the cemetery.

**8. COMPLIANCE**

Contrary to Ohio Rev. Code Section 505.36 the Township's estimated receipts exceeded actual receipts in the Motor Vehicle License Tax Fund causing actual resources to fall below the level of appropriation for the year ended December 31, 2007.

Contrary to Ohio Rev. Code Section 5705.39 the Township's appropriations for the Motor Vehicle License Tax Fund exceeded total revenue for the year ended December 31, 2007.

Contrary to Ohio Rev. Code Section 5705.41 (B), the Township's expenditures exceeded appropriations at the legal level of control in the General Fund, Gasoline Tax Fund and Road and Bridge Fund in 2006. Expenditures in the Fire Levy and Rescue Levy exceeded appropriations both at the fund level and legal level of control in 2007 and 2006.

# Caudill & Associates, CPA's

725 5<sup>th</sup> Street  
Portsmouth, OH 45662

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants  
Kentucky Society of Certified Public Accountants

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

Board of Trustees  
Brown Township  
4752 Elroy Ansonia Road  
Ansonia, Ohio 45303

We have audited the accompanying financial statements of Brown Township (the Township), Darke County, as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Township's financial statements, and have issued our report thereon dated June 24, 2008, wherein we noted the Township uses accounting practices the Auditor of State prescribes or permits rather than the accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness on the Township's internal control over financial reporting. Accordingly, we do not express an opinion 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider the following deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting as item 2007-004.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Brown Township  
Darke County

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the following weakness described in the accompanying schedule of findings and responses to be a material weakness in internal control over financial reporting as item 2007 – 004.

**Compliance and Other Matters**

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 grant agreements, 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 three instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Responses as items 2007-001, 2007-002 and 2007-003.

We noted a certain noncompliance that we reported to the Township’s management in a separate letter dated June 24, 2008.

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

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

*Caudill & Associates, CPA's*

Caudill & Associates, CPA’s  
June 24, 2008

**BROWN TOWNSHIP  
DARKE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2007 AND 2006**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-001**

**Noncompliance Citation – Ohio Rev. Code Section 5705.36**

The Ohio Revised Code Section 5705.36 (A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. ORC 5705.36 requires the Township to obtain an increased amended certificate of estimated resources from the budget commission if the legislative authority intends to appropriate and expend excess revenue. The Ohio Revised Code Section 5705.36 (A) (4) requires the Township to obtain a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

Estimated receipts exceeded actual receipts in the Motor Vehicle License Tax Fund in 2007 causing actual resources to fall below the level of appropriation.

This could allow deficit spending to occur.

We recommend the Fiscal Officer obtain a reduced certificate of estimated resources when it is determined that estimated receipts will be less than the actual receipts causing resources to fall below the level of appropriations. Approval of the modifications should be enacted and documented in the Township Minutes.

**Township Response:**

The Township will monitor budgetary compliance more closely.

**FINDING NUMBER 2007-002**

**Noncompliance Citation – Ohio Rev. Code Section 5705.39**

Ohio Rev. Code Section 5705.39 states total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Contrary to this requirement, appropriations for the Motor Vehicle License Tax funds exceeded total estimated revenue for the year ended December 31, 2007.

The Township should monitor the budgetary financial reports throughout the year and amend estimated resources and appropriations, as needed by resolution.

**Township Response:**

Amendments will be filed with the County Auditor when appropriation increases are required. No money will be expended until a certificate is received certifying the total appropriations from each fund does not exceed the total official estimate or amended official estimate.



**BROWN TOWNSHIP  
DARKE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2007 AND 2006**

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

**FINDING NUMBER 2007-003**

**Noncompliance Citation – Ohio Rev. Code Section 5705.41(B)**

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

Expenditures exceeded appropriations at the legal level of control in the General Fund, Gasoline Tax Fund and Road and Bridge Fund in 2006. Expenditures in the Fire Levy and Rescue Levy exceeded appropriations both at the fund level and legal level of control in 2007 and 2006.

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

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

**Township Response:**

The Township will deny payment requests and not certify the availability of funds exceeding appropriations.

**BROWN TOWNSHIP  
DARKE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2007 AND 2006**

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

**FINDING NUMBER 2007-004**

**Misclassification of Receipts and Disbursements – Significant Control Deficiency/ Material Internal Control Weakness**

The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 112 establishes standards, responsibilities and guidance for audits during a financial statement audit engagement for identifying and evaluating a client's internal control over financial reporting. This new standard requires the auditor to report *in writing* to management and the governing body any control deficiencies found during the engagement that are considered significant deficiencies and/or material weaknesses.

During 2007 and 2006, the Township erroneously posted receipts and disbursements. This required reclassifications to properly present the activities of the Township for both years.

We recommend the Township implement control procedures related to financial reporting that enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes.

**Township Response:**

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



**Mary Taylor, CPA**  
Auditor of State

**BROWN TOWNSHIP**

**DARKE 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 16, 2008**