

**BROWN TOWNSHIP
CARROLL COUNTY
Regular Audit
For the Years Ended December 31, 2009 and 2008**

Perry & Associates
Certified Public Accountants, A.C.



Mary Taylor, CPA

Auditor of State

Board of Trustees
Brown Township
P.O. Box 378
Malvern, Ohio 44644

We have reviewed the *Independent Accountants' Report* of Brown Township, Carroll County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2008 through December 31, 2009. 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 Accountants' 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 Accountants' 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 2, 2010

This Page is Intentionally Left Blank.

**BROWN TOWNSHIP
CARROLL COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008.....	4
Notes to the Financial Statements.....	5
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Findings	15
Schedule of Prior Audit Findings	16

Perry & Associates
Certified Public Accountants, A.C.

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056

INDEPENDENT ACCOUNTANTS' REPORT

September 8, 2010

Brown Township
Carroll County
P.O. Box 378
200 Grant Street
Malvern, OH 44644

To the Board of Trustees:

We have audited the accompanying financial statements of **Brown Township, Carroll County, Ohio**, (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. 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 the 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 their changes in financial position for the year 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, Carroll 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 8, 2010, 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. 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.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**BROWN TOWNSHIP
CARROLL 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>Debt Service</u>	<u>Permanent</u>	
Cash Receipts:					
Property and Other Local Taxes	\$ 75,969	\$ 337,826	\$ -	\$ -	\$ 413,795
Intergovernmental	156,272	693,161	-	-	849,433
Special Assessments	-	5,773	-	-	5,773
Licenses, Permits, and Fees	-	17,355	-	-	17,355
Earnings on Investments	571	206	-	931	1,708
Miscellaneous	851	17,520	-	-	18,371
	<u>233,663</u>	<u>1,071,841</u>	<u>-</u>	<u>931</u>	<u>1,306,435</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
General Government	127,299	124,114	-	-	251,413
Public Safety	31,538	75,558	-	-	107,096
Public Works	-	382,408	-	-	382,408
Health	-	22,618	-	-	22,618
Miscellaneous	-	51,858	-	-	51,858
Capital Outlay	811	707,024	-	-	707,835
Debt Service:					
Redemption of Principal	-	10,200	-	-	10,200
Interest and Fiscal Charges	-	4,500	-	-	4,500
	<u>159,648</u>	<u>1,378,280</u>	<u>-</u>	<u>-</u>	<u>1,537,928</u>
Total Cash Disbursements					
Total Cash Receipts Over/(Under) Disbursements	<u>74,015</u>	<u>(306,439)</u>	<u>-</u>	<u>931</u>	<u>(231,493)</u>
Other Financing Receipts/(Disbursements):					
Debt Proceeds	-	226,000	-	-	226,000
Advances-In	20,000	20,000	-	-	40,000
Advances-Out	(20,000)	(20,000)	-	-	(40,000)
	<u>-</u>	<u>226,000</u>	<u>-</u>	<u>-</u>	<u>226,000</u>
Total Other Financing Receipts/(Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	74,015	(80,439)	-	931	(5,493)
Fund Cash Balances, January 1	<u>113,405</u>	<u>239,091</u>	<u>1,039</u>	<u>11,626</u>	<u>365,161</u>
Fund Cash Balances, December 31	<u>\$ 187,420</u>	<u>\$ 158,652</u>	<u>\$ 1,039</u>	<u>\$ 12,557</u>	<u>\$ 359,668</u>

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

**BROWN TOWNSHIP
CARROLL 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>	<u>Debt Service</u>	<u>Permanent</u>	
Cash Receipts:					
Property and Other Local Taxes	\$ 76,893	\$ 330,188	\$ -	\$ -	\$ 407,081
Intergovernmental	59,725	443,963	-	-	503,688
Special Assessments	-	4,388	-	-	4,388
Licenses, Permits, and Fees	-	18,775	-	-	18,775
Earnings on Investments	2,192	333	-	-	2,525
Miscellaneous	6,981	7,486	-	-	14,467
Total Cash Receipts	145,791	805,133	-	-	950,924
Cash Disbursements:					
Current:					
General Government	129,430	-	-	-	129,430
Public Safety	28,210	64,840	-	-	93,050
Public Works	-	404,415	-	-	404,415
Health	-	17,236	-	-	17,236
Miscellaneous	-	59,364	-	-	59,364
Capital Outlay	-	253,678	-	-	253,678
Debt Service:					
Redemption of Principal	-	9,900	10,872	-	20,772
Interest and Fiscal Charges	-	3,697	445	-	4,142
Total Cash Disbursements	157,640	813,130	11,317	-	982,087
Total Cash Receipts Over/(Under) Disbursements	(11,849)	(7,997)	(11,317)	-	(31,163)
Other Financing Receipts/(Disbursements):					
Transfers-In	-	9,000	-	-	9,000
Transfers-Out	(9,000)	-	-	-	(9,000)
Total Other Financing Receipts/(Disbursements)	(9,000)	9,000	-	-	-
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(20,849)	1,003	(11,317)	-	(31,163)
Fund Cash Balances, January 1	134,254	238,088	12,356	11,626	396,324
Fund Cash Balances, December 31	\$ 113,405	\$ 239,091	\$ 1,039	\$ 11,626	\$ 365,161

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

**BROWN TOWNSHIP
CARROLL COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Brown Township, Carroll 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'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

The Township Fiscal Officer invests funds of the Township in an interest-bearing checking account. The Township also maintains a Certificate of Deposit.

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 private purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

**BROWN TOWNSHIP
CARROLL 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 (Continued)

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

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

Fire District Fund – This fund receives tax money for the purpose of emergency services including fire protection and emergency medical services.

FEMA Phase II Funds – The Township received State and Federal Funds for the Malwayne Acres Mobile Home Park Acquisition Project.

3. Debt Services Funds

These funds account for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Fund:

General Note Retirement Fund – This fund receives property tax levy money to satisfy the issued note obligations of the Township to purchase equipment.

4. Permanent Funds

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant Permanent Fund:

Cemetery Bequest Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and up keep of the Township's cemeteries.

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, and 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.

**BROWN TOWNSHIP
CARROLL COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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 need not be reappropriated in the subsequent year.

A summary of 2009 and 2008 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.

G. Accumulated Leave

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

2. EQUITY IN POOLED DEPOSITS

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

	<u>2009</u>	<u>2008</u>
Demand Deposits	\$ 348,948	\$ 354,441
Certificate of Deposit	10,720	10,720
Total deposits	<u>\$ 359,668</u>	<u>\$ 365,161</u>

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

**BROWN TOWNSHIP
CARROLL COUNTY**

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 85,699	\$ 233,663	\$ 147,964
Special Revenue	1,156,989	1,297,841	140,852
Permanent	351	931	580
Total	<u>\$ 1,243,039</u>	<u>\$ 1,532,435</u>	<u>\$ 288,816</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 197,560	\$ 159,648	\$ 37,912
Special Revenue	1,639,988	1,378,280	261,708
Debt Service	1,039	-	1,039
Permanent	1,256	-	1,256
Total	<u>\$ 1,839,843</u>	<u>\$ 1,537,928</u>	<u>\$ 301,915</u>

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 66,508	\$ 145,791	\$ 79,283
Special Revenue	499,091	814,133	315,042
Permanent	344	-	(344)
Total	<u>\$ 565,943</u>	<u>\$ 959,924</u>	<u>\$ 393,981</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 200,761	\$ 166,640	\$ 34,121
Special Revenue	1,182,549	813,130	369,419
Debt Service	12,356	11,317	1,039
Permanent	1,249	-	1,249
Total	<u>\$ 1,396,915</u>	<u>\$ 991,087</u>	<u>\$ 405,828</u>

**BROWN TOWNSHIP
CARROLL COUNTY**

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

4. DEBT

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Rural Development - Fire Truck	\$ 226,000	4.375%
Rural Development -Dump Truck/Mower	<u>98,900</u>	4.125%
Total	<u>\$ 324,900</u>	

The Township entered into a loan for \$50,185 on February 27, 2003, to finance the purchase of a new fire truck. This loan was paid in full as of February 21, 2008.

The Township entered into a loan for \$119,000 on April 11, 2007, to finance the purchase of a new dump truck and boom mower. The purchase was made through Rural Development with annual payments due April 1. The loan is scheduled to be paid in full as of April 1, 2017.

The Township entered into a loan for \$226,000 on July 10, 2009, to finance the purchase of a new fire truck. The purchase was made through Rural Development with annual payments starting July 10, 2010. The loan is scheduled to be paid in full as of July 1, 2024.

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

<u>Year Ending December 31:</u>	<u>Fire Truck Payments</u>	<u>Equipment Payments</u>	<u>Total Payments</u>
2010	\$ 20,640	\$ 14,779	\$ 35,419
2011	20,806	14,738	35,544
2012	20,908	14,780	35,688
2013	20,883	14,801	35,684
2014	20,836	14,702	35,538
2015-2019	104,318	44,320	148,638
2020-2024	<u>104,306</u>	<u>-</u>	<u>104,306</u>
Total	<u>\$ 312,697</u>	<u>\$ 118,120</u>	<u>\$ 430,817</u>

5. LEASE

Lease outstanding at December 31, 2009 was as follows:

	<u>Amount</u>	<u>Payments</u>
Kansas State Bank - Backhoe	<u>\$ 54,452</u>	<u>4</u>

**BROWN TOWNSHIP
CARROLL COUNTY**

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

5. LEASE (Continued)

The Township entered into a lease agreement for \$54,452 on December 1, 2009 for a backhoe. The lease was made through Kansas State Bank with annual payments due on December 1. The first payment will begin on December 1, 2010 and the lease agreement ends on December 1, 2013.

Lease payments, are scheduled as follows:

<u>Year Ending December 31:</u>	<u>Backhoe Payments</u>
2010	\$ 12,605
2011	13,255
2012	13,937
2013	<u>14,655</u>
Total	<u>\$ 54,452</u>

6. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by 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.

7. RETIREMENT SYSTEMS

The Township's elected officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multi-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 2009 and 2008, members of PERS contributed 10% of their gross salaries. The Township contributed an amount equal to 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2009.

**BROWN TOWNSHIP
CARROLL COUNTY**

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

8. RISK MANAGEMENT

Risk Pool Membership

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 (the 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>

**BROWN TOWNSHIP
CARROLL COUNTY**

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

8. RISK MANAGEMENT (Continued)

Financial Position (Continued)

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 \$2,643.

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.

Perry & Associates
Certified Public Accountants, A.C.

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056

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

September 8, 2008

Brown Township
Carroll County
P.O. Box 378
200 Grant Street
Malvern, OH 44644

To the Board of Trustees:

We have audited the financial statements of **Brown Township, Carroll County**, (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated September 8, 2010, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than 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 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 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 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 finding 2009-001 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, 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 no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated September 8, 2010.

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

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**BROWN TOWNSHIP
CARROLL COUNTY**

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

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

FINDING NUMBER 2009-001

Material Weakness

Posting Receipts and Expenditures

Receipts and expenditures should be posted to the fund and line item accounts as established by Ohio Administrative Code.

Receipts and expenditures were not always posted correctly. For example;

- Rollback Tax receipts were recorded as Property and Other Local Taxes, instead of Intergovernmental in the General, Road and Bridge, and Fire District Funds in 2009.
- Debt proceeds were recorded as Intergovernmental in the Fire District Fund in 2009.
- Intergovernmental receipt was recorded as Miscellaneous in 2009 in the FEMA Phase II Fund in 2009.
- Debt payment was posted as Capital Outlay, instead of Redemption of Principal and Interest and Fiscal Charges in the Road and Bridge Fund in 2009.
- Debt payment was posted as Public Works, instead of Redemption of Principal and Interest and Fiscal Charges in the Road and Bridge Fund in 2008.
- Fire contract receipt was posted as Intergovernmental, instead of Licenses, Permits, and Fees in the Fire District Fund in 2008.

This resulted in several reclassification entries being made to the Township's financial statements. The financial statements reflect all reclassifications.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues and expenditures are properly identified and classified on the financial statements. We also recommend the Fiscal Officer refer to Ohio Administrative Code Section 117-7-01 and/or the Ohio Township Handbook for guidance to determine the proper establishment of receipt and expenditure accounts and posting of receipts and expenditures.

Management's Response – We did not receive a response from officials to this finding.

**BROWN TOWNSHIP
CARROLL 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>
2007-001	Posting Estimated Receipts.	No	Repeated in the Management Letter.
2007-002	Posting Receipts and Expenditures.	No	Repeated as Finding 2009-001.
2007-003	ORC 5705.39 – Appropriations Exceeding Total Estimated Resources.	No	Repeated in the Management Letter.

This Page is Intentionally Left Blank.



Mary Taylor, CPA
Auditor of State

BROWN TOWNSHIP

CARROLL 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 16, 2010**