



Mary Taylor, CPA
Auditor of State

**BROWN TOWNSHIP
MIAMI COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	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.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007	6
Notes to the Financial Statements	7
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

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

Brown Township
Miami County
P.O. Box 369
Conover, Ohio 45317

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 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. 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.

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

Mary Taylor, CPA
Auditor of State

August 11, 2009

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Brown Township
Miami County
P.O. Box 369
Conover, Ohio 45317

To the Board of Trustees:

We have audited the accompanying financial statements of Brown Township, Miami County, (the Township), as of and for the years ended December 31, 2008 and 2007. 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 requires 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, 2008 and 2007 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, 2008 and 2007, 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 and reserves for encumbrances of Brown Township, Miami County, as of December 31, 2008 and 2007, 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 August 11, 2009, 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.



Mary Taylor, CPA
Auditor of State

August 11, 2009

**BROWN TOWNSHIP
MIAMI 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:			
Local Taxes	\$12,567	\$95,427	\$107,994
Intergovernmental	82,807	108,834	191,641
Special Assessments		1,758	1,758
Charges for Services		14,270	14,270
Licenses, Permits, and Fees	720		720
Earnings on Investments	8,875	6,426	15,301
Other Revenue	10,806	6,825	17,631
Total Cash Receipts	<u>115,775</u>	<u>233,540</u>	<u>349,315</u>
Cash Disbursements:			
Current:			
General Government	106,269		106,269
Public Safety		85,878	85,878
Public Works		100,915	100,915
Health	5,984	28,338	34,322
Capital Outlay	30,175	42,219	72,394
Total Cash Disbursements	<u>142,428</u>	<u>257,350</u>	<u>399,778</u>
Total Receipts Over/(Under) Disbursements	<u>(26,653)</u>	<u>(23,810)</u>	<u>(50,463)</u>
Other Financing Receipts and (Disbursements):			
Other Sources		4,563	4,563
Other Uses		(12,081)	(12,081)
Total Other Financing Receipts/(Disbursements)		<u>(7,518)</u>	<u>(7,518)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(26,653)	(31,328)	(57,981)
Fund Cash Balances, January 1	<u>426,617</u>	<u>852,461</u>	<u>1,279,078</u>
Fund Cash Balances, December 31	<u><u>\$399,964</u></u>	<u><u>\$821,133</u></u>	<u><u>\$1,221,097</u></u>

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

**BROWN TOWNSHIP
MIAMI 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 (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$10,783	\$87,979	\$98,762
Intergovernmental	65,695	125,465	191,160
Special Assessments		1,788	1,788
Charges for Services		13,005	13,005
Licenses, Permits, and Fees	645		645
Earnings on Investments	31,723	26,851	58,574
Other Revenue	10,132	8,590	18,722
Total Cash Receipts	<u>118,978</u>	<u>263,678</u>	<u>382,656</u>
Cash Disbursements:			
Current:			
General Government	112,512		112,512
Public Safety		173,600	173,600
Public Works	5,706	21,664	27,370
Health	2,181	35,918	38,099
Capital Outlay		6,972	6,972
Total Cash Disbursements	<u>120,399</u>	<u>238,154</u>	<u>358,553</u>
Total Receipts Over/(Under) Disbursements	<u>(1,421)</u>	<u>25,524</u>	<u>24,103</u>
Other Financing Receipts and (Disbursements):			
Other Sources		4,909	4,909
Other Uses	(195)		(195)
Total Other Financing Receipts/(Disbursements)	<u>(195)</u>	<u>4,909</u>	<u>4,714</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(1,616)	30,433	28,817
Fund Cash Balances, January 1	<u>428,233</u>	<u>822,028</u>	<u>1,250,261</u>
Fund Cash Balances, December 31	<u><u>\$426,617</u></u>	<u><u>\$852,461</u></u>	<u><u>\$1,279,078</u></u>

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

**BROWN TOWNSHIP
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

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, Miami County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road/bridge maintenance and cemetery maintenance services. The Township contracts with the Fletcher Volunteer Firemen's Association to provide fire services and Fletcher-Brown Township EMS to provide ambulance 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. Cash and Investments

The Township's Savings account and Checking account 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 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.

Cemetery Fund - This fund receives money from opening and closing of graves and sale of cemetery lots.

**BROWN TOWNSHIP
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fire Fund- This fund receives tax money to provide fire fighting services to the Township.

Ambulance Fund – This fund receives tax money to provide ambulance services for the Township.

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2008 and 2007 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 and investments pool 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>2008</u>	<u>2007</u>
Demand deposits	<u>\$1,221,097</u>	<u>\$1,279,078</u>

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

**BROWN TOWNSHIP
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$149,764	\$115,775	(\$33,989)
Special Revenue	264,052	238,103	(25,949)
Total	<u>\$413,816</u>	<u>\$353,878</u>	<u>(\$59,938)</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$250,000	\$142,428	\$107,572
Special Revenue	525,000	269,431	255,569
Total	<u>\$775,000</u>	<u>\$411,859</u>	<u>\$363,141</u>

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$128,285	\$118,978	(\$9,307)
Special Revenue	232,565	268,587	36,022
Total	<u>\$360,850</u>	<u>\$387,565</u>	<u>\$26,715</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$250,000	\$120,594	\$129,406
Special Revenue	525,000	238,154	286,846
Total	<u>\$775,000</u>	<u>\$358,748</u>	<u>\$416,252</u>

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.

**BROWN TOWNSHIP
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

5. RETIREMENT SYSTEMS

The Township's 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 2008 and 2007, OPERS members contributed 10 and 9.5%, respectively, of their gross salaries and the Township contributed an amount equaling 14 and 13.85%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

A. Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$3,000,000 as noted above.

B. Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

**BROWN TOWNSHIP
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

6. RISK MANAGEMENT (Continued)

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

The aforementioned casualty and property reinsurance agreements do 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.

C. 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, 2007 and 2006:

<u>Casualty Coverage</u>	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	(13,357,837)	(12,120,661)
Retained earnings	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, 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 \$3,033. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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>Township Contributions to OTARMA</u>	
2006	\$3,685
2007	\$2,966
2008	\$3,227

**BROWN TOWNSHIP
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

6. RISK MANAGEMENT (Continued)

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA. They must 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 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 was incurred or reported prior to the withdrawal.

7. NONCOMPLIANCE

The Township did not comply with requirements regarding the proper allocation of interest among funds.



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
Miami County
P.O. Box 369
Conover, Ohio 45317

To the Township Board of Trustees:

We have audited the financial statements of the Brown Township, Miami County, (the Township), as of and for the year ended December 31, 2008 and 2007, and have issued our report thereon dated August 11, 2009, 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 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 the 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 expressing our opinion on the financial statements, but not to opine 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 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 certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

**Internal Control Over Financial Reporting
(Continued)**

We consider findings 2008-001 through 2008-002 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the 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 the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe findings number 2008-001 and 2008-002 are also material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated August 11, 2009.

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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 11, 2009.

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



Mary Taylor, CPA
Auditor of State

August 11, 2009

**BROWN TOWNSHIP
MIAMI COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007**

FINDING NUMBER 2008-001

Material Non-Compliance/Material Weakness

Ohio Revised Code § 135.21 provides for the allocation of interest among funds which states that interest earned on monies deposited by a treasurer which do not belong in the treasury of the subdivision, due to their status as custodial funds, because he is acting as ex officio treasurer, or otherwise, generally must be apportioned to the funds to which the principal belongs (including undivided tax funds).

All other interest earned must be credited to the general funds of the subdivision, with the following exceptions:

- Interest earned on money derived from a motor vehicle license or fuel tax must follow the principal (Article XII, Section 5a, Ohio Const. And 1982 Op. Atty Gen No. 82-031.)
- Interest earned on money received from the federal government may be due to the fund to which the principal belongs.

The Township did not allocate funds properly in three months in FY2007 and all of FY2008. The interest was allocated to the General Fund only. Amounts should have been allocated to motor vehicle license and fuel tax (gas tax). Interest payments received in December 2007 were not posted to UAN until May 31, 2008. Further, the interest posted from the US Bank investment account was posted at net of account fees.

The previously stated facts resulted in an overstatement of General fund interest of \$2,681, or 8.5%, and an understatement of Special Revenue fund interest of \$14,598, or 54.4% in 2007. The General Fund interest was overstated \$9,781, or 52.4%, and the Special Revenue fund interest was understated \$6,426, or 100% in 2008. The errors to the interest revenue required audit adjustments to present the financial statement activity in proper funds at the correct amounts.

Failure to allocate funds properly and at correct amounts will result in inaccurate fund balances and material misstatements on the Township's financial statements. Due care should be used when posting interest received. The Board should review monitor the amounts posted monthly as interest revenue to determine that all required funds are receiving interest.

Officials Response:

The Officials did not respond to the above finding.

FINDING NUMBER 2008-002

Material Weakness

Financial Statement Errors Due to Posting of Disbursements

Several disbursements were improperly posted as Other Financing Uses instead of the proper operating disbursement line item. During 2008 disbursements of \$32,187 in the General Fund and \$56,554 in the Special Revenue fund were incorrectly recorded as Other Financing Uses. This represented 22.5% and 23% respectively of total cash disbursements for these fund types. During 2007 disbursements of \$20,581 in the General Fund and \$40,977 in the Special Revenue fund were incorrectly recorded as Other Financing Uses. This represented 17% of total cash disbursements for each of these two fund types. Not using the proper disbursements classification reduced the usefulness of the financial records and could hamper financial decision making.

Failure to record the expenditures properly resulted in material reclassifications on the financial statements. The required adjustments were made to the financial statements by the Township.

The Township should establish policies and procedures to verify that all funds and all information is properly included on the financial statements and recorded in the correct line item. The Trustees should review the appropriateness of disbursements classifications on a monthly basis prior to approving and signing the checks.

Officials Response:

The Officials did not respond to the above finding.



Mary Taylor, CPA
Auditor of State

BROWN TOWNSHIP

MIAMI 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 17, 2009**