



**Mary Taylor, CPA**  
Auditor of State



**DARBY TOWSHIP  
PICKAWAY COUNTY**

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**Mary Taylor, CPA**  
Auditor of State

Darby Township  
Pickaway County  
P.O. Box 37  
Derby, Ohio 43117

To the Board of Trustees:

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

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

August 11, 2009

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Darby Township  
Pickaway County  
P.O. Box 37  
Derby, Ohio 43117

To the Board of Trustees:

We have audited the accompanying financial statements of Darby Township, Pickaway County, Ohio (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 transaction 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 require the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11 (B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 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 of Darby Township, Pickaway County, Ohio 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.

As described in Note 1, for the year ended December 31, 2007, the Township changed its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* to accounting practices the Auditor of State prescribes or permits.

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.

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

**Mary Taylor, CPA**  
Auditor of State

August 11, 2009

**DARBY TOWNSHIP  
PICKAWAY 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>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$ 105,067	\$ 145,977	\$ -	\$ 251,044
Intergovernmental	44,119	306,014	-	350,133
Special Assessments	-	6,486	-	6,486
Licenses, Permits, and Fees	1,512	-	-	1,512
Earnings on Investments	5,498	366	-	5,864
Other Revenue	2,830	100	-	2,930
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	159,026	458,943	-	617,969
<b>Cash Disbursements:</b>				
Current:				
General Government	93,871	30,864	-	124,735
Public Safety	-	1,325	-	1,325
Public Works	157	478,398	-	478,555
Health	13,652	-	-	13,652
Debt Service:				
Redemption of Principal		11,648		11,648
Interest and Fiscal Charges		1,020		1,020
Capital Outlay			6,695	6,695
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	107,680	523,255	6,695	637,630
Total Receipts Over/(Under) Disbursements	51,346	(64,312)	(6,695)	(19,661)
<b>Other Financing Receipts and (Disbursements):</b>				
Proceeds from Sale of Public Debt:				
Sale of Notes	-	74,313	-	74,313
Transfers-In	-	-	35,000	35,000
Transfers-Out	(35,000)	-	-	(35,000)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(35,000)	74,313	35,000	74,313
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	16,346	10,001	28,305	54,652
Fund Cash Balances, January 1	33,500	195,611	212,894	442,005
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b>\$ 49,846</b>	<b>\$ 205,612</b>	<b>\$ 241,199</b>	<b>\$ 496,657</b>

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

**DARBY TOWNSHIP  
PICKAWAY 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>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$ 99,823	\$ 136,485	\$ -	\$ 236,308
Intergovernmental	33,468	134,676	-	168,144
Special Assessments	-	9,405	-	9,405
Licenses, Permits, and Fees	2,791	-	-	2,791
Earnings on Investments	-	-	-	-
Other Revenue	4,071	150	-	4,221
	<u>140,153</u>	<u>280,716</u>	<u>-</u>	<u>420,869</u>
<b>Total Cash Receipts</b>				
	140,153	280,716	-	420,869
<b>Cash Disbursements:</b>				
Current:				
General Government	139,535	-	-	139,535
Public Safety	-	-	-	-
Public Works	253	279,603	-	279,856
Health	15,426	-	-	15,426
Debt Service:				
Redemption of Principal		11,181		11,181
Interest and Fiscal Charges		1,487		1,487
Capital Outlay	7,500	6,497	23,720	37,717
	<u>162,714</u>	<u>298,768</u>	<u>23,720</u>	<u>485,202</u>
<b>Total Cash Disbursements</b>				
	162,714	298,768	23,720	485,202
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(22,561)</u>	<u>(18,052)</u>	<u>(23,720)</u>	<u>(64,333)</u>
	(22,561)	(18,052)	(23,720)	(64,333)
<b>Cash Receipts:</b>				
Transfer-In	-	-	35,000	35,000
Transfer-Out	(35,000)	-	-	(35,000)
Total Other Financing Receipts/(Disbursements)	<u>(35,000)</u>	<u>-</u>	<u>35,000</u>	<u>-</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(57,561)</u>	<u>(18,052)</u>	<u>11,280</u>	<u>(64,333)</u>
	(57,561)	(18,052)	11,280	(64,333)
<b>Fund Cash Balances, January 1</b>	<u>91,061</u>	<u>213,663</u>	<u>201,614</u>	<u>506,338</u>
	91,061	213,663	201,614	506,338
<b>Fund Cash Balances, December 31</b>	<u>\$ 33,500</u>	<u>\$ 195,611</u>	<u>\$ 212,894</u>	<u>\$ 442,005</u>
	\$ 33,500	\$ 195,611	\$ 212,894	\$ 442,005

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

**DARBY TOWNSHIP  
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED 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 Darby Township, Pickaway County, Ohio (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general government services, including the regulation of zoning, road and bridge maintenance, and cemetery maintenance. The Township contracts with Tri-County Fire Department for fire protection and Sterling Joint Ambulance for emergency medical services.

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

**B. Accounting Basis**

For the year ended December 31, 2007, the Township changed its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* to accounting practices the Auditor of State prescribes or permits. This change did not result in a restatement of fund balances.

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 accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township did not purchase or sell any investments during the audit period.

**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:

**DARBY TOWNSHIP  
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED DECEMBER 31, 2008 AND 2007  
(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 to pay 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.

Motor Vehicle License Tax Fund - This fund receives license tax money to pay for constructing, maintaining, and repairing Township roads.

Fire Emergency Fund - This fund receives property tax money to pay for fire protection of the Township.

Emergency Medical Fund - This fund receives property tax money to pay for emergency medical coverage within the Township.

Derby and Era Lighting Fund - This fund receives special assessment to provide for lighting for this area.

**3. Capital Project Fund**

The Capital Project fund has been established by the Trustees in which money is transferred in from the General Fund for the purpose of constructing new buildings and building maintenance.

**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 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.

**DARBY TOWNSHIP  
PICKAWAY COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

**2. EQUITY IN POOLED CASH**

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

	2008	2007
Demand deposits	\$496,657	\$282,005
Certificates of deposit		160,000
Total deposits	\$496,657	\$442,005

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

**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	\$116,100	\$159,026	\$42,926
Special Revenue	246,200	533,256	287,056
Capital Projects	35,000	35,000	0
Total	\$397,300	\$727,282	\$329,982

**2008 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$149,591	\$142,680	\$6,911
Special Revenue	440,960	523,255	(82,295)
Capital Projects	247,894	6,695	241,199
Total	\$838,445	\$672,630	\$165,815

**2007 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$112,580	\$140,153	\$27,573
Special Revenue	234,150	280,716	46,566
Capital Projects	35,000	35,000	0
Total	\$381,730	\$455,869	\$74,139

**DARBY TOWNSHIP  
PICKAWAY COUNTY**

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

**3. BUDGETARY ACTIVITY (Continued)**

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$203,641	\$197,714	\$5,927
Special Revenue	446,911	298,768	148,143
Capital Projects	236,614	23,720	212,894
Total	\$887,166	\$520,202	\$366,964

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Gasoline Tax fund by \$59,313 for the year ended December 31, 2008. Also contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Road and Bridge fund by \$141,816 for the year ended December 31, 2008.

**4. PROPERTY TAX**

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**5. DEBT**

Debt outstanding at December 31, 2008 was as follows

	Principal	Interest Rate
Equipment Note-Truck	12,152	4.25%
Equipment Note-Tractor	74,313	4.70%
	86,465	

The Equipment Note (Truck) relates to the purchase of a new IHC Truck for Township use. The Note was issued in August of 2004 in the amount of \$56,003.12. The Note is to be repaid in annual installments of \$12,668, including interest, over five years.

The Equipment Note (Tractor) relates to the purchase of a new Tractor for Township use. The Note was issued in August of 2008 in the amount of \$74,313.03. The Note is to be repaid in annual installments of \$17,088, including interest, over five years.

**DARBY TOWNSHIP  
PICKAWAY COUNTY**

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

**5. DEBT (Continued)**

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

Year ending December 31:	Equipment Note Truck	Equipment Note Tractor
2009	\$12,668	\$17,088
2010	0	17,088
2011	0	17,088
2012	0	17,088
2013	0	17,088
Total	<u>\$12,668</u>	<u>\$85,440</u>

**6. RETIREMENT SYSTEM**

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.

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.

**7. 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 governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

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 the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

**DARBY TOWNSHIP  
PICKAWAY COUNTY**

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

**7. RISK MANAGEMENT (Continued)**

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 \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

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.

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.

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 (the latest information available):

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

At December 31, 2007 and 2006, respectively, liabilities noted 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 \$6,955. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

**DARBY TOWNSHIP  
PICKAWAY COUNTY**

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

**7. RISK MANAGEMENT (Continued)**

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<b><u>Contributions to OTARMA</u></b>	
2006	\$6,957
2007	\$6,843
2008	\$7,322

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

**8. CONTINGENT LIABILITIES**

The Township is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Township's financial condition.

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# 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*

Darby Township  
Pickaway County  
P.O. Box 37  
Derby, Ohio 43117

To the Board of Trustees:

We have audited the financial statements of Darby Township, Pickaway County, Ohio (the Township) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated August 11, 2009, wherein we noted the Township changed their financial presentation and followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Governmental Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 require 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 a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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.

We consider finding 2008-003 described in the accompanying schedule of findings to be a significant deficiency 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. However, we believe finding number 2008-003 is also 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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2008-001 and 2008-002.

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 management, and the Board of Trustees. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

August 11, 2009

**DARBY TOWNSHIP  
PICKAWAY COUNTY**

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

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

**FINDING NUMBER 2008-001**

**Competitive Bidding-Non-Compliance**

**Ohio Revised Code § 5575.01 (A)** states in the maintenance and repair of roads, the board of township trustees may proceed either by contract or force account. Except as otherwise provided in sections 505.08 and 505.101 of the Revised Code, when the board proceeds by contract, the contract shall, if the amount involved exceeds forty-five thousand dollars, be let by the board to the lowest responsible bidder after advertisement for bids once, not later than two weeks, prior to the date fixed for the letting of the contract, in a newspaper published in the county and of general circulation within the township or, if no newspaper is published in the county, in a newspaper having general circulation in the township.

The Township entered into a contractual agreement for the repair of Township roads, in the amount of \$73,155. This contract exceeded \$45,000, thus, it was required to be bid.

We recommend the Township bid all projects in accordance with the Ohio Revised Code.

**FINDING NUMBER 2008-002**

**Expenditures Exceed Appropriations-Material Non-Compliance**

**Ohio Rev. Code § 5705.41 (B)** states that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated.

Expenditures exceeded appropriation at the object level which is the legal level of control in the following accounts.

<b>12/31/2008</b>				
Fund	Object Code	Appropriation	Disbursements	Difference
Gasoline Tax	Machinery, Equipment, and Furniture	15,000.00	74,313.00	(59,313.00)
Road and Bridge	Contracted Services	100,000.00	241,816.00	(141,816.00)

We recommend the Board of Trustees monitor expenditures in relation to appropriation levels and approve all amendments to appropriation when deemed necessary.

**DARBY TOWNSHIP  
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

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

**FINDING NUMBER 2008-003**

**Significant Deficiency/Material Weakness**

**Financial Reporting**

The Township utilizes UAN as their accounting system. At year-end, the cash basis information from the UAN ledgers is converted into financial statements reported under the Auditor of State Regulatory Cash Basis. The Township fiscal officer prints financial statements from the UAN system.

Eleven audit adjustment and reclassifications were necessary to accurately reflect receipts and expenditures on the financial statements. These adjustments and reclassifications ranged in dollar amount from \$618 to \$188,580.

The Township has posted these adjustments and reclassifications to their financial statement and accounting records.

We recommend the Township implement additional procedures to provide assurance over the completeness and accuracy of information reported within the financial statements. Such procedures may include additional reviews of the financial statements, including the notes to the financial statements, by a member of management and an analytical comparison of the current year annual report to the prior year annual report for obvious errors or omissions.

We did not receive a response from Officials to the findings reported above.

**DARBY TOWNSHIP  
PICKAWAY COUNTY**

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

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i></b>
2006-001	Ohio Revised Code § 5549.21 – Competitive Bidding	No	Not Corrected – Repeated as item 2008-001
2006-002	Ohio Revised Code § 9.38 – Timely Deposit of Public Funds	Yes	Fully Corrected
2006-003	Financial Reporting	No	Not Corrected – Repeated as item 2008-003





Mary Taylor, CPA  
Auditor of State

**DARBY TOWNSHIP**

**PICKAWAY 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  
OCTOBER 13, 2009**