

BROWN TOWNSHIP

DARKE COUNTY

REGULAR AUDIT

January 1, 2008 through December 31, 2009

Years Audited Under GAGAS: 2009 and 2008



**CAUDILL & ASSOCIATES, CPA's**

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# Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditor's Report* of Brown Township, Darke County, prepared by Caudill & Associates, CPA's, for the audit period January 1, 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 Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

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

Mary Taylor, CPA  
Auditor of State

December 9, 2010

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**BROWN TOWNSHIP  
DARKE COUNTY**

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

## Independent Auditor's Report

Brown Township  
Darke County  
4752 Elroy-Ansonia Road  
Ansonia, Ohio 45303

To the Township Board of Trustees:

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

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

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

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

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Brown Township, Darke 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.

Brown Township  
Darke County

Independent Auditor's Report (Continued)

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 October 4, 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.

*Caudill & Associates, CPA's*

Caudill & Associates, CPA's

October 4, 2010

**BROWN TOWNSHIP  
DARKE COUNTY**

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

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b><u>Cash Receipts:</u></b>			
Property and Local Taxes	\$ 24,564	\$ 64,849	\$ 89,413
Intergovernmental	20,805	104,600	125,405
Interest	5,921	426	6,347
Miscellaneous	838	1,887	2,725
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	52,128	171,762	223,890
	<hr/>	<hr/>	<hr/>
<b><u>Cash Disbursements:</u></b>			
General Government	39,530	-	39,530
Public Safety	225	45,376	45,601
Public Works	-	46,288	46,288
Health	5,633	548	6,181
Other	-	68	68
Capital Outlay	-	61,884	61,884
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	45,388	154,164	199,552
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	6,740	17,598	24,338
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	236,437	112,158	348,595
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 243,177</u></b>	<b><u>\$ 129,756</u></b>	<b><u>\$ 372,933</u></b>

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



**BROWN TOWNSHIP  
DARKE COUNTY**

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

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b><u>Cash Receipts:</u></b>			
Property and Local Taxes	\$ 20,339	\$ 48,452	\$ 68,791
Intergovernmental	79,148	106,871	186,019
Interest	6,138	565	6,703
Miscellaneous	12,891	72	12,963
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	118,516	155,960	274,476
	<hr/>	<hr/>	<hr/>
<b><u>Cash Disbursements:</u></b>			
General Government	56,994	-	56,994
Public Safety	225	29,317	29,542
Public Works	-	34,404	34,404
Health	5,409	430	5,839
Other	-	761	761
Capital Outlay	-	82,736	82,736
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	62,628	147,648	210,276
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	55,888	8,312	64,200
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	180,549	103,846	284,395
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 236,437</u></b>	<b><u>\$ 112,158</u></b>	<b><u>\$ 348,595</u></b>

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

**BROWN TOWNSHIP  
DARKE COUNTY**

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. DESCRIPTION OF THE ENTITY**

The constitution and laws of the State of Ohio establish the rights and privileges of Brown Township, Darke County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees governs the Township. The Township provides general government services, including street maintenance and fire protection services.

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

**B. 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 adequately disclose material matters the Auditor of State prescribes or permits.

**C. CASH AND INVESTMENTS**

The Township maintains an interest bearing checking account and certificates of deposits. The certificates of deposits are valued at cost.

**D. FUND ACCOUNTING**

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

**General Fund**

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

**Special Revenue Funds**

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

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

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

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

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

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

**BROWN TOWNSHIP  
DARKE COUNTY**

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. BUDGETARY PROCESS**

The Ohio Revised Code requires that each fund be budgeted annually.

**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.

**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.

**Encumbrances**

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

A summary of 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.

**NOTE 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>2009</u>	<u>2008</u>
Demand deposits	\$138,541	\$120,442
Certificates of deposits	<u>234,392</u>	<u>228,153</u>
Total deposits	<u><u>\$372,933</u></u>	<u><u>\$348,595</u></u>

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

**BROWN TOWNSHIP  
DARKE COUNTY**

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

**NOTE 3 - BUDGETARY ACTIVITY**

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

**2009 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$53,662	\$52,128	(\$1,534)
Special Revenue	153,235	171,762	18,527
Total	<u>\$206,897</u>	<u>\$223,890</u>	<u>\$16,993</u>

**2009 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$75,469	\$45,388	\$30,081
Special Revenue	266,235	154,164	112,071
Total	<u>\$341,704</u>	<u>\$199,552</u>	<u>\$142,152</u>

**2008 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$48,693	\$118,516	\$69,823
Special Revenue	153,009	155,960	2,951
Total	<u>\$201,702</u>	<u>\$274,476</u>	<u>\$72,774</u>

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

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$70,763	\$62,628	\$8,135
Special Revenue	125,805	147,648	(21,843)
Total	<u>\$196,568</u>	<u>\$210,276</u>	<u>(\$13,708)</u>

**BROWN TOWNSHIP  
DARKE COUNTY**

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

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**NOTE 4 - PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board of Trustees adopt 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.

**NOTE 5 - RETIREMENT SYSTEMS**

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

Contribution rates are prescribed by the Ohio Revised Code. For 2009 and 2008, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2009.

**NOTE 6 - RISK MANAGEMENT**

The Township has obtained commercial insurance for the following risks:

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

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

**NOTE 7 - RELATED PARTY TRANSACTIONS**

Linda Wood is the Township Fiscal Officer and she also mows the Cemetery for three quarters of the year at a rate of \$8.00 per hour. In 2009 and 2008, Linda Wood made \$2,974 and \$3,172 respectively, in gross wages from mowing the cemetery.

**NOTE 8 - COMPLIANCE**

Contrary to Ohio Rev. Code Section 5705.36, appropriations exceeded actual resources available for expenditure in the Motor Vehicle License Tax Fund, Road and Bridge Fund and Fire District Fund during 2008. During 2009, appropriations exceeded actual resources available for expenditure in the Motor Vehicle License Tax Fund and Fire District Fund.

**BROWN TOWNSHIP  
DARKE COUNTY**

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

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**NOTE 9 – SUBSEQUENT EVENTS**

As of October 4, 2010, no subsequent events requiring disclosure within this report have been identified.

**NOTE 10 – MISCELLANEOUS RECEIPTS**

2008 General Fund miscellaneous receipts are primarily comprised of insurance claim payments received by the Township to repair property damaged by weather.



## Caudill & Associates, CPAs

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

Brown Township  
Darke County  
4752 Elroy-Ansonia Road  
Ansonia, Ohio 45303

To the Township Board of Trustees:

We have audited the financial statements of Brown Township, Darke County, (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated October 4, 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.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Brown Township  
Darke County

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

### **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 one instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings and Responses as item No. 2009-001.

The Township's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the Township's response and, accordingly, we express no opinion on it.

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

*Caudill & Associates, CPAs*

Caudill & Associates, CPA's

October 4, 2010



**BROWN TOWNSHIP  
DARKE COUNTY**

**SCHEDULE OF AUDIT FINDINGS AND RESPONSES  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

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

**Finding Number 2009-001**

**Noncompliance Citation – Appropriations in Excess of Available Resources**

**Ohio Revised Code Section 5705.36 (A) (2)**, allows all subdivisions to request increased amended certificates of estimated resources or reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. **Ohio Revised Code Section 5705.36 (A) (3)** requires obtaining amended certificates from the budget commission if the legislative authority intends to appropriate and expend excess revenues. **Ohio Revised Code Section 5705.36 (A) (4)** requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

Appropriations exceeded actual resources available for expenditure in the Motor Vehicle License Tax Fund, Road and Bridge Fund and Fire District Fund during 2008. During 2009, appropriations exceeded actual resources available for expenditure in the Motor Vehicle License Tax Fund and Fire District Fund.

We recommend that the Township implement control procedures to better monitor its budget and estimated resources, and to increase or reduce estimated revenues and appropriations before expending more than its available resources for any fund.

**Township Responses:**

The Township will get future amended certificates of estimated resources.

**BROWN TOWNSHIP  
DARKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED 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	Ohio Rev. Code Section 5705.36.	No	Reissued as finding 2009-001.
2007-002	Ohio Rev. Code Section 5705.39.	Yes	No longer valid.
2007-003	Ohio Rev. Code Section 5705.41 (B).	Yes	No longer valid.
2007-004	Misclassification of receipts and disbursements.	Yes	No longer valid.



**Mary Taylor, CPA**  
Auditor of State

**BROWN TOWNSHIP**

**DARKE COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 21, 2010**