

BROWN TOWNSHIP

DELAWARE COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2007 and 2006

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA

Auditor of State

Board of Trustees
Brown Township
Township Hall
3832 Main Street
Killbourn, Ohio 43032

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

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* 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 *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 12, 2008

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BROWN TOWNSHIP
DELAWARE COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2007 and 2006

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

**Brown Township
Delaware County
4989 Bowtown Road
Delaware, Ohio 43015**

To the Board of Trustees:

We have audited the accompanying financial statements of Brown Township, Delaware County, Ohio as and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to 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 that our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2007 and 2006. While the Township does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since the Township does not use GAAP to measure its financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Brown Township, Delaware County as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2008 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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.

Charles E. Harris & Associates, Inc.
July 31, 2008

**BROWN TOWNSHIP
DELAWARE COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2006**

| | <u>Governmental Fund Types</u> | | (Memorandum Only) |
|---|--------------------------------|----------------------------|----------------------|
| | <u>General</u> | <u>Special Revenue</u> | <u>Total</u> |
| Receipts: | | | |
| Property and Other Local Taxes | \$ 94,188 | \$ 86,009 | \$ 180,197 |
| Licenses, permits and fees | 2,070 | 10,322 | 12,392 |
| Intergovernmental | 244,106 | 109,742 | 353,848 |
| Earnings on Investments | 49,604 | 8,918 | 58,522 |
| Miscellaneous | 948 | 3,715 | 4,663 |
| Total Receipts | 390,916 | 218,706 | 609,622 |
| Disbursements: | | | |
| Current: | | | |
| General Government | 105,642 | - | 105,642 |
| Public Works | 1,055 | 256,306 | 257,361 |
| Health | - | 19,783 | 19,783 |
| Conservation-Recreation | 1,424 | - | 1,424 |
| Capital Outlay | - | 46,915 | 46,915 |
| Total Cash Disbursements | 108,121 | 323,004 | 431,125 |
| Excess of Receipts Over/(Under) Disbursements | 282,795 | (104,298) | 178,497 |
| Other Financing Sources/(Uses): | | | |
| Transfers In | - | 50,000 | 50,000 |
| Transfers Out | (50,000) | - | (50,000) |
| Other Financing Uses | (1,982) | - | (1,982) |
| Total Other Financing Sources/(Uses) | (51,982) | 50,000 | (1,982) |
| Excess of Receipts and Other Financing Sources Over/(Under) Disbursements and Other Financing Uses | 230,813 | (54,298) | 176,515 |
| Fund Balance January 1, 2006 | 797,913 | 355,070 | 1,152,983 |
| Fund Balance December 31, 2006 | \$ 1,028,726 | \$ 300,772 | \$ 1,329,498 |
| Reserves for Encumbrances, December 31, 2006 | \$ 4,573 | \$ - | \$ 4,573 |

See accompanying Notes to the Financial Statements.

**BROWN TOWNSHIP
 DELAWARE COUNTY, OHIO
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
 CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
 For the Year Ended December 31, 2007**

| | <u>Governmental Fund Types</u> | | (Memorandum Only) |
|---|--------------------------------|----------------------------|----------------------|
| | <u>General</u> | <u>Special Revenue</u> | <u>Total</u> |
| Receipts: | | | |
| Property and Other Local Taxes | \$ 92,189 | \$ 87,692 | \$ 179,881 |
| Licenses, permits and fees | 1,275 | 9,311 | 10,586 |
| Intergovernmental | 180,856 | 112,656 | 293,512 |
| Earnings on Investments | 56,822 | 3,623 | 60,445 |
| Miscellaneous | 20,351 | 5,901 | 26,252 |
| Total Receipts | 351,493 | 219,183 | 570,676 |
| Disbursements: | | | |
| Current: | | | |
| General Government | 107,214 | - | 107,214 |
| Public Safety | 80 | - | 80 |
| Public Works | 1,082 | 305,929 | 307,011 |
| Health | - | 22,920 | 22,920 |
| Conservation-Recreation | 934 | - | 934 |
| Capital Outlay | - | 84,370 | 84,370 |
| Total Cash Disbursements | 109,310 | 413,219 | 522,529 |
| Excess of Receipts Over/(Under) Disbursements | 242,183 | (194,036) | 48,147 |
| Other Financing Sources/(Uses): | | | |
| Transfers In | - | 75,000 | 75,000 |
| Transfers Out | (75,000) | - | (75,000) |
| Total Other Financing Sources/(Uses) | (75,000) | 75,000 | - |
| Excess of Receipts and Other Financing Sources Over/(Under) Disbursements and Other Financing Uses | 167,183 | (119,036) | 48,147 |
| Fund Balance January 1, 2007 | 1,028,726 | 300,772 | 1,329,498 |
| Fund Balance December 31, 2007 | \$ 1,195,909 | \$ 181,736 | \$ 1,377,645 |
| Reserves for Encumbrances, December 31, 2007 | \$ 6,087 | \$ - | \$ 6,087 |

See accompanying Notes to the Financial Statements.

**BROWN TOWNSHIP
DELAWARE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

Brown Township, Delaware County (the Township) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three member Board of Trustees and a Fiscal Officer. The Township provides general governmental services, including road and bridge maintenance and cemetery maintenance.

The Township's management believes these financial statements included in this report represent all of the funds of the Township over which the Township has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Township prepares its financial statements following the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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.)

The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. CASH

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. FUND ACCOUNTING

The Township maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

General Fund: The general operating fund of the Township. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

**BROWN TOWNSHIP
DELAWARE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. FUND ACCOUNTING – (continued)

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

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

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Clerk, approved by the Township Board of Trustees, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Township. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Township. The county budget commission approves the certificate of estimated resources.

Prior to December 31, the Township must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of estimated resources stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Clerk sends the county auditor a certificate which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected revenue increases or the Clerk identifies decreases in revenue.

Budgeted receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2007 and 2006. However, those fund balances are available for appropriation.

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

**BROWN TOWNSHIP
 DELAWARE COUNTY, OHIO
 Notes to the Financial Statements
 For the Years Ended December 31, 2007 and 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

E. BUDGETARY PROCESS - (continued)

3. Encumbrances

The Township is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The Township's legal level of control is the fund, function and object level.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding year without being re-appropriated.

F. PROPERTY, PLANT AND EQUIPMENT

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

| | 2007 | 2006 |
|---------------------------------------|---------------------|---------------------|
| Demand Deposit | \$ 87,322 | \$ 198,515 |
| STAR Ohio | 1,290,323 | 1,130,983 |
| Total Deposits and Investments | \$ 1,377,645 | \$ 1,329,498 |

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Township, or (3) collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**BROWN TOWNSHIP
 DELAWARE COUNTY, OHIO
 Notes to the Financial Statements
 For the Years Ended December 31, 2007 and 2006**

3. PROPERTY TAXES

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Township by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as intergovernmental receipts.

Public utilities are also taxed on personal and real property located within the Township.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost.

The County Treasurer collects property tax on behalf of all taxing authorities within the county. The County Auditor periodically remits to the taxing authorities their portions of the taxes collected.

4. BUDGETARY ACTIVITY

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

| <u>2007 Budgeted vs Actual Budgetary Basis Expenditures</u> | | | |
|--|---------------------------------------|--------------------------------------|------------------------|
| <u>Funds</u> | <u>Appropriation Authority</u> | <u>Budgetary Expenditures</u> | <u>Variance</u> |
| General | \$ 362,443 | \$ 190,397 | \$ 172,046 |
| Special Revenue | 462,942 | 413,219 | 49,723 |
| Total | \$ 825,385 | \$ 603,616 | \$ 221,769 |

BROWN TOWNSHIP
 DELAWARE COUNTY, OHIO
 Notes to the Financial Statements
 For the Years Ended December 31, 2007 and 2006

4. BUDGETARY ACTIVITY - (continued)

| 2006 Budgeted vs Actual Budgetary Basis Expenditures | | | |
|---|--------------------------------|-------------------------------|------------------|
| Funds | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 179,874 | \$ 164,676 | \$ 15,198 |
| Special Revenue | 349,302 | 323,004 | 26,298 |
| Total | \$ 529,176 | \$ 487,680 | \$ 41,496 |

| 2007 Budgeted vs Actual Receipts | | | |
|---|--------------------------|------------------------|--------------------|
| Funds | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 321,715 | \$ 390,916 | \$ 69,201 |
| Special Revenue | 397,222 | 268,706 | (128,516) |
| Total | \$ 718,937 | \$ 659,622 | \$ (59,315) |

| 2006 Budgeted vs Actual Receipts | | | |
|---|--------------------------|------------------------|------------------|
| Funds | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 289,157 | \$ 390,152 | \$100,995 |
| Special Revenue | 207,498 | 268,706 | 61,208 |
| Total | \$ 496,655 | \$ 658,858 | \$162,203 |

5. RETIREMENT SYSTEM

Employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost sharing, multiple-employer plans. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2006, OPERS members contributed 9% of their wages. The Village contributed an amount equal to 13.70% of participants gross salaries. For 2007, OPERS members contributed 9.5% of their wages. The Village contributed an amount equal to 13.85% of participants gross salaries The Village has paid all contributions required through December 31, 2007.

**BROWN TOWNSHIP
DELAWARE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

6. RISK MANAGEMENT

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.

Casualty Coverage - 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. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the 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 \$2,000,000.

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. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop-loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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 township.

Property and casualty settlements did not exceed insurance coverage for the past three years.

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 contribution, minus the subsequent year's premium. Also, upon withdrawal, payments for all property and 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.

**BROWN TOWNSHIP
 DELAWARE COUNTY, OHIO
 Notes to the Financial Statements
 For the Years Ended December 31, 2007 and 2006**

6. RISK MANAGEMENT - (continued)

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, 2006 and 2005:

| <u>Casualty Coverage</u> | <u>2006</u> | <u>2005</u> |
|--------------------------|----------------------|----------------------|
| Assets | \$ 32,031,312 | \$ 30,485,638 |
| Liabilities | (11,443,952) | (12,344,576) |
| Retained earnings | \$ 20,587,360 | \$ 18,141,062 |
| | | |
| <u>Casualty Coverage</u> | <u>2006</u> | <u>2005</u> |
| Assets | \$ 10,010,963 | \$ 9,177,796 |
| Liabilities | (676,709) | (1,406,031) |
| Retained earnings | \$ 9,334,254 | \$ 7,771,765 |

7. FUND TRANSFERS

In 2007 and 2006, the Township transferred funds from the General Fund to the Road & Bridge Fund for normal operations.

8. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

9. COMPLIANCE

Contrary to Ohio Revised Code Section 5705.10, revenue derived from a special levy fund was not credited to a special fund for the purpose of which the levy was made.

Contrary to Ohio Revised Code Section 5705.14-16, the Township made transfers without approval from the Board of Trustees.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

**Brown Township
Delaware County
4989 Bowtown Road
Delaware, OH 43015**

To the Board of Trustees:

We have audited the financial statements of Brown Township, Delaware County, Ohio (Township) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated July 31, 2008, wherein we noted the Township prepared its financial statements using 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting practices the Auditor of State prescribes such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider the deficiencies described in the accompanying schedule of findings, items 2007-BTDC-01 and 2007-BTDC-02, to be significant deficiencies in internal control over financial reporting.

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

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 considered to be material weaknesses. However, we believe the significant deficiencies described above to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the schedule of findings as items 2007-BTRC-01 and 2007-BTRC-02.

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

We also noted certain matters that we have reported to management of the Township in a separate letter dated July 31, 2008.

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

Charles E. Harris and Associates, Inc.
July 31, 2008

**BROWN TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
December 31, 2007 and 2006**

| |
|---|
| <p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p> |
|---|

FINDING NUMBER 2007-BTDC-01 – Material Weakness and Non-compliance Citation

Ohio Revised Code Section 5705.10 states that all revenue derived from a special levy is to be credited to a special fund for the purpose for which the levy was made.

During both years, the Township did not properly allocate homestead and rollback funds received from the Auditor of State's Office. These amounts were corrected in the financial statements and the Township's books.

During 2006, the Township frequently posted the net amount of property taxes to the General Fund and Road and Bridge Fund. The Township should have posted the gross amounts to property taxes and the associated auditor's fees as a disbursement. These amounts were corrected in the financial statements.

We recommend the Township post property taxes and rollback/homestead into the correct fund as stated in the Statement of Semiannual Appropriation of Taxes sheets. We also recommend that the Township post property taxes at gross amounts with a disbursement posted for auditor's fees.

Client Response:

The new Clerk at the Township intends to record every transaction properly.

FINDING NUMBER 2007-BTDC-02 – Material Weakness and Non-compliance Citation

Ohio Rev. Code Section 5705.14, 5705.15, and 5705.16 states that no transfer can be made from one fund of a subdivision to any other fund, except money may be transferred from the general fund to any fund of the subdivision by resolution of the taxing authority or from one fund to another as is specifically authorized in Ohio Rev. Code Section 5705.14.

In 2006, the Township transferred \$50,000 from the General Fund to the Road & Bridge Fund. The transfer was not approved by the Board of Trustees.

We recommend that the Board of Trustees approve all transfers prior to recording the transaction in their books.

Client Response:

The new Clerk has already obtained prior approval for transfers and will continue to do so.

**BROWN TOWNSHIP
RICHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 & 2006**

| FINDING NUMBER | FUNDING SUMMARY | FULLY CORRECTED? | Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain |
|---------------------------|---|-----------------------------|---|
| 2005-BTDC-01 | Contrary to Ohio Rev. Code Section 5705.41(D)(1), the Village made expenditures before encumbering the funds. | Yes | No Longer Valid |



Mary Taylor, CPA
Auditor of State

BROWN TOWNSHIP

DELAWARE 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 25, 2008**