

# **BROWN TOWNSHIP DELAWARE COUNTY, OHIO**

**Financial Statements  
(Audited)**

**For the Years Ended  
December 31, 2019 and 2018**





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(800) 282-0370

Board of Trustees  
Brown Township  
5555 State Route 521  
Kilbourne, Ohio 43015

We have reviewed the *Independent Auditor's Report* of Brown Township, Delaware County, prepared by Julian & Grube, Inc., for the audit period January 1, 2018 through December 31, 2019. 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.

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

Keith Faber  
Auditor of State  
Columbus, Ohio

July 14, 2020

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**BROWN TOWNSHIP  
DELAWARE COUNTY, OHIO**

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## Independent Auditor's Report

Brown Township  
Delaware County  
5555 State Route 521  
Kilbourne, Ohio 43015

To the Board of Trustees:

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Brown Township, Delaware County, Ohio, as of and for the years ended December 31, 2019 and December 31, 2018.

### *Management's Responsibility for the Financial Statements*

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to Brown Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of Brown Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles*

As described in Note 2 of the financial statements, Brown Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though Brown Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Brown Township as of December 31, 2019 and December 31, 2018, and the respective changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Brown Township, Delaware County as of December 31, 2019 and December 31, 2018, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Emphasis of Matter***

As discussed in Note 13 to the financial statements for the year ended December 31, 2019, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of Brown Township. We did not modify our opinion regarding this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2020, on our consideration of Brown 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Brown Township's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
June 18, 2020



**BROWN TOWNSHIP  
DELAWARE COUNTY, OHIO**

*Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)  
All Governmental Fund Types  
For the Year Ended December 31, 2019*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts:</b>				
Property and Other Taxes	\$ 127,828	\$ 97,311	\$ -	\$ 225,139
Licenses, Permits, and Fees	24,051	11,846	-	35,897
Intergovernmental	43,094	131,248	-	174,342
Earnings on Investments	19,993	9,600	-	29,593
Miscellaneous	2,512	6,000	-	8,512
<i>Total Cash Receipts</i>	<u>217,478</u>	<u>256,005</u>	<u>-</u>	<u>473,483</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	166,746	-	-	166,746
Public Works	-	132,595	-	132,595
Health	-	26,087	-	26,087
Conservation-Recreation	9,386	-	-	9,386
Capital Outlay	473	-	-	473
<i>Total Cash Disbursements</i>	<u>176,605</u>	<u>158,682</u>	<u>-</u>	<u>335,287</u>
<i>Excess of Receipts over (under) Disbursements</i>	<u>40,873</u>	<u>97,323</u>	<u>-</u>	<u>138,196</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In	46,703	-	-	46,703
Transfers Out	-	-	(46,703)	(46,703)
Other Financing Uses	(2,401)	-	-	(2,401)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>44,302</u>	<u>-</u>	<u>(46,703)</u>	<u>(2,401)</u>
<i>Net Change in Fund Cash Balances</i>	85,175	97,323	(46,703)	135,795
<i>Fund Cash Balances, January 1</i>	<u>516,518</u>	<u>713,572</u>	<u>46,703</u>	<u>1,276,793</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	810,895	-	810,895
Assigned	168,340	-	-	168,340
Unassigned	433,353	-	-	433,353
<i>Fund Cash Balances, December 31</i>	<u>\$ 601,693</u>	<u>\$ 810,895</u>	<u>\$ -</u>	<u>\$ 1,412,588</u>

*See accompanying notes to the financial statements*

**Brown Township**  
*Delaware County, Ohio*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Brown Township, Delaware County, Ohio (the Township) as a body politic and corporate established in 1826. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer. The Township provides general government services, maintenance of roads and bridges, and cemetery maintenance. The Township contracts with the Tri-Township Joint Fire District for fire protection. Police protection is provided by the Delaware County Sheriff.

***Public Entity Risk Pool***

The Township participates in a public entity risk pool. Note 6 to the financial statements provide additional information for this entity. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Township's basic financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

***Fund Accounting***

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following Special Revenue Funds:

***Gas Tax Fund*** The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

***Motor Vehicle License Tax Fund*** The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

***Road and Bridge Fund*** The road and bridge fund accounts for and reports property tax (inside millage) committed for the construction, reconstruction, resurfacing and repair of Township roads and bridges.

**Brown Township**  
*Delaware County, Ohio*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 2 – Summary of Significant Accounting Policies – (Continued)**

***Permissive Motor Vehicle License Tax Fund*** The permissive motor vehicle license tax fund accounts for and reports additional motor vehicle registration fees restricted for maintenance and repair of streets within the Township.

***Cemetery Fund*** The cemetery fund accounts for and reports lot sales and opening and closing fees. These monies are to be used for cemetery purposes.

***Capital Project Funds*** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following Capital Project Fund:

***Miscellaneous Capital Projects Fund*** This fund accounts for and reports revenue that is restricted for use in building and constructing a new township hall.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***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. 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 approve estimated resources.

***Encumbrances*** The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over and need not be reappropriated.

A summary of 2019 budgetary activity appears in Note 3.

**Brown Township**  
*Delaware County, Ohio*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 2 – Summary of Significant Accounting Policies – (Continued)**

***Deposits 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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

***Capital Assets***

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

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

***Nonspendable*** The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

***Restricted*** Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

***Committed*** Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

***Assigned*** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

**Brown Township**  
*Delaware County, Ohio*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

**Note 2 – Summary of Significant Accounting Policies – (Continued)**

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$234,399	\$264,181	\$29,782
Special Revenue	232,783	256,005	23,222
Capital Projects	0	0	0
<b>Total</b>	<b>\$467,182</b>	<b>\$520,186</b>	<b>\$53,004</b>

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$381,345	\$179,006	\$202,339
Special Revenue	454,100	158,682	295,418
Capital Projects	46,703	46,703	0
<b>Total</b>	<b>\$882,148</b>	<b>\$384,391</b>	<b>\$497,757</b>

**Note 4 – Deposits and Investments**

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

	2019
Demand deposits	\$85,706
Total deposits	85,706
STAR Ohio	1,326,882
Total investments	1,326,882
Total deposits and investments	\$1,412,588

**Brown Township**  
*Delaware County, Ohio*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 4 – Deposits and Investments – (Continued)**

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

***Investments***

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

**Note 5 – Property Taxes**

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

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

**Note 6 – Risk Management**

***Risk Pool Membership***

The Township is a member of the Ohio Township Association Risk Management Authority (OTARMA). OTARMA assumes the risk of loss up to the limits of the Township's policy. OTARMA covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

**Brown Township**  
*Delaware County, Ohio*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 6 – Risk Management – (Continued)**

OTARMA reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31, 2019:

	<u>2019</u>
Cash and investments	\$35,207,320
Actuarial liabilities	\$10,519,942

**Note 7 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postemployment health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2019.

***Social Security***

Some Township employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2019.

**Note 8 – Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2019.

**Note 9 – Litigation**

The Township is party to a potential lawsuit. 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.

**Brown Township**  
*Delaware County, Ohio*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 10 – Shared Service Agreement**

A joint road agreement exists between Berlin Township and Brown Township to share responsibility of the maintenance of Baker Road. Brown Township is responsible for the west end of Baker Road from halfway between Jumper Road and Plunkett Road west to US 36/37. Road maintenance shall mean and include, but not limited to roadside mowing, tree trimming, erection of road signs, snow plowing and surface treatments.

**Note 11 – Related Party Transactions**

Township Trustee Charles Miley is related to Zoning Inspector Susan Kuba as father/daughter. Mr. Miley will not vote or approve any personnel or financial transactions including salary issues related to Ms. Kuba. The Township requires the two other Board members vote, sign and/or approve all personnel and financial transactions directly related to Ms. Kuba in her role as Zoning Inspector.

Township Fiscal Officer Peggy Link is related to Township Trustee Stephen Cole as daughter/father. Fiscal Officer Link's salary is set forth by the Ohio Revised Code. All personnel or financial transactions directly related to Ms. Link requires the two other Board members vote, sign and/or approve those transaction related to Ms. Link in her role as Township Fiscal Officer.

**Note 12 – Transfer**

The Township recorded a transfer out of the Miscellaneous Capital Projects Fund (a capital projects fund) to the General Fund. This transfer was to close the fund after the construction project for a new township hall was completed. The transfer was approved by the Court of Common Pleas of Delaware County.

**Note 13 – Subsequent Event**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. The impact on the Township's future operating costs, receipts, and any recovery from emergency funding, either federal or state, cannot be estimated.



**BROWN TOWNSHIP  
DELAWARE COUNTY, OHIO**

*Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)  
All Governmental Fund Types  
For the Year Ended December 31, 2018*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts:</b>				
Property and Other Taxes	\$ 126,689	\$ 97,869	\$ -	\$ 224,558
Licenses, Permits, and Fees	11,338	9,625	-	20,963
Intergovernmental	39,557	111,206	-	150,763
Earnings on Investments	17,716	6,666	-	24,382
Miscellaneous	5,123	5,400	-	10,523
<i>Total Cash Receipts</i>	<u>200,423</u>	<u>230,766</u>	<u>-</u>	<u>431,189</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	174,715	-	132,372	307,087
Public Works	-	130,439	-	130,439
Health	-	19,651	-	19,651
Conservation-Recreation	3,894	-	-	3,894
Capital Outlay	41,844	-	-	41,844
<i>Total Cash Disbursements</i>	<u>220,453</u>	<u>150,090</u>	<u>132,372</u>	<u>502,915</u>
<i>Net Change in Fund Cash Balances</i>	<u>(20,030)</u>	<u>80,676</u>	<u>(132,372)</u>	<u>(71,726)</u>
<i>Fund Cash Balances, January 1</i>	<u>536,548</u>	<u>632,896</u>	<u>179,075</u>	<u>1,348,519</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	713,572	46,703	760,275
Assigned	193,650	-	-	193,650
Unassigned	322,868	-	-	322,868
<i>Fund Cash Balances, December 31</i>	<u>\$ 516,518</u>	<u>\$ 713,572</u>	<u>\$ 46,703</u>	<u>\$ 1,276,793</u>

*See accompanying notes to the financial statements*

**Brown Township**  
*Delaware County, Ohio*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 1 – Reporting Entity**

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***Public Entity Risk Pool***

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**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Township's basic financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

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**Brown Township**  
*Delaware County, Ohio*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 2 – Summary of Significant Accounting Policies – (Continued)**

***Permissive Motor Vehicle License Tax Fund*** The permissive motor vehicle license tax fund accounts for and reports additional motor vehicle registration fees restricted for maintenance and repair of streets within the Township.

***Cemetery Fund*** The cemetery fund accounts for and reports lot sales and opening and closing fees. These monies are to be used for cemetery purposes.

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***Miscellaneous Capital Projects Fund*** This fund accounts for and reports revenue that is restricted for use in building and constructing a new township hall.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***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. Unencumbered appropriations lapse at year end.

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

***Encumbrances*** The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2018 budgetary activity appears in Note 3.

**Brown Township**  
*Delaware County, Ohio*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 2 – Summary of Significant Accounting Policies – (Continued)**

***Deposits 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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

***Capital Assets***

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

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

***Nonspendable*** The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

***Restricted*** Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

***Committed*** Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

***Assigned*** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

**Brown Township**  
*Delaware County, Ohio*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

**Note 2 – Summary of Significant Accounting Policies – (Continued)**

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$183,429	\$200,423	\$16,994
Special Revenue	229,829	230,766	937
Capital Projects	0	0	0
Total	\$413,258	\$431,189	\$17,931

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$382,069	\$221,128	\$160,941
Special Revenue	456,130	150,090	306,040
Capital Projects	165,822	132,372	33,450
Total	\$1,004,021	\$503,590	\$500,431

**Note 4 – Deposits and Investments**

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

	2018
Demand deposits	\$29,206
Total deposits	29,206
STAR Ohio	1,247,587
Total investments	1,247,587
Total deposits and investments	\$1,276,793

**Brown Township**  
*Delaware County, Ohio*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 4 – Deposits and Investments – (Continued)**

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

***Investments***

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

**Note 5 – Property Taxes**

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

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

**Note 6 – Risk Management**

***Risk Pool Membership***

The Township is a member of the Ohio Township Association Risk Management Authority (OTARMA). OTARMA assumes the risk of loss up to the limits of the Township's policy. OTARMA covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

**Brown Township**  
*Delaware County, Ohio*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 6 – Risk Management – (Continued)**

OTARMA reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2018</u>
Cash and investments	\$33,097,416
Actuarial liabilities	\$ 7,874,610

**Note 7 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postemployment health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2018.

***Social Security***

Some Township employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2018.

**Note 8 – Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018.

**Note 9 – Litigation**

The Township is party to a potential lawsuit. 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.

**Brown Township**  
*Delaware County, Ohio*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 10 – Shared Service Agreement**

A joint road agreement exists between Berlin Township and Brown Township to share responsibility of the maintenance of Baker Road. Brown Township is responsible for the west end of Baker Road from halfway between Jumper Road and Plunkett Road west to US 36/37. Road maintenance shall mean and include, but not limited to roadside mowing, tree trimming, erection of road signs, snow plowing and surface treatments.

**Note 11 – Related Party Transactions**

Township Trustee Charles Miley is related to Zoning Inspector Susan Kuba as father/daughter. Mr. Miley will not vote or approve any personnel or financial transactions including salary issues related to Ms. Kuba. The Township requires the two other Board members vote, sign and/or approve all personnel and financial transactions directly related to Ms. Kuba in her role as Zoning Inspector.

Township Fiscal Officer Peggy Link is related to Township Trustee Stephen Cole as daughter/father. Fiscal Officer Link's salary is set forth by the Ohio Revised Code. All personnel or financial transactions directly related to Ms. Link requires the two other Board members vote, sign and/or approve those transaction related to Ms. Link in her role as Township Fiscal Officer.



**Independent Auditor's Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Required by *Government Auditing Standards***

Brown Township  
Delaware County  
5555 State Route 521  
Kilbourne, Ohio 43015

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Brown Township, Delaware County, Ohio as of and for the years ended December 31, 2019 and December 31, 2018, and the related notes to the financial statements, and have issued our report thereon dated June 18, 2020, wherein we noted Brown Township followed the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Furthermore, as discussed in Note 13 to the financial statements for the year ended December 31, 2019, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered Brown Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of Brown Township's internal control. Accordingly, we have not opined on it.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of Brown Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider a significant deficiency. We consider finding 2019-001 to be a significant deficiency.

***Compliance and Other Matters***

As part of reasonably assuring whether Brown 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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Brown Township's Response to Finding***

Brown Township's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not subject Brown Township's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of Brown Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering Brown Township's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

*Julian & Grube, Inc.*

Julian & Grube, Inc.  
June 18, 2020

**BROWN TOWNSHIP  
DELAWARE COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2019 AND DECEMBER 31, 2018**

<b>FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2019-001

Significant Deficiency – Financial Statement Presentation

Accurate financial reporting is required in order to provide management and citizens with objective and timely information to enable well-informed decisions.

The following adjustments were made to properly state the financial statements and notes:

Year ended December 31, 2018:

- \$193,650 was reclassified from Unassigned Fund Balance to Assigned Fund Balance in the General Fund to properly present subsequent year appropriations in excess of estimated receipts and carry over encumbrances.
- \$36,000 was reclassified from Other Financing Uses to Capital Outlay in the General Fund to properly present the purchase of playground equipment.

Year ended December 31, 2019:

- \$168,340 was reclassified from Unassigned Fund Balance to Assigned Fund Balance in the General Fund to properly present subsequent year appropriations in excess of estimated receipts.

A lack of proper policies and procedures for control and monitoring activities associated with the period-end financial reporting process could lead to financial statement and note disclosure adjustments, which if uncorrected, could lead to a misrepresentation of the Township’s activity.

We recommend the Township consult with their auditors and the Ohio Township Handbook, to help ensure accurate financial reporting. The Township may want to consider additional financial statement reviews prior to submission of their annual reports on the Hinkle System.

Client Response: The Fiscal Officer will continue to work to provide a sound fiscal environment for the Township and has implemented additional policies and procedures to help with financial statement presentation.

**BROWN TOWNSHIP  
DELAWARE COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2019 AND DECEMBER 31, 2018**

<b>Finding Number</b>	<b>Year Initially Occurred</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2017-001	2017	<u>Material Weakness/Noncompliance – Illegal Transfers:</u> Ohio Revised Code Section 5705.14 provides that no transfer shall be made from one fund of a subdivision to any other fund, except for as provided under various sections of Ohio Revised Code Section 5705.14. During 2017, the Township transferred \$49,596 to expend local match funds from the Road and Bridge Fund to the Public Works Commission Fund. The provisions of the Ohio Revised Code do not allow for such transfers.	Corrected	N/A
2017-002	2017	<u>Material Weakness - Financial Statement Presentation:</u> Management is responsible for the preparation and fair presentation of their financial statements. Material adjustments were made to the Hinkle filed financial statements and notes to the financial statements.	Not Corrected	Repeated as finding 2019-001

OHIO AUDITOR OF STATE  
**KEITH FABER**



**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  
JULY 28, 2020**