



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**BROWN TOWNSHIP
KNOX COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Brown Township
Knox County
20629 Danville Jelloway Road
Danville, Ohio 43014

To the Board of Trustees:

We have audited the accompanying financial statements of Brown Township, Knox County, Ohio, (the Township) as of and for the years ended December 31, 2001 and December 31, 2000. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2001 and December 31, 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large loop at the end of the last name.

JIM PETRO
Auditor of State

June 13, 2002

**BROWN TOWNSHIP
KNOX COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$ 17,904	\$ 75,657	\$ 3,766	\$ 97,327
Intergovernmental	42,407	76,969		119,376
Licenses, Permits, and Fees	3,800			3,800
Earnings on Investments	956	467		1,423
Other Revenue	2,207			2,207
Total Cash Receipts	<u>67,274</u>	<u>153,093</u>	<u>3,766</u>	<u>224,133</u>
Cash Disbursements:				
Current:				
General Government	51,413			51,413
Public Safety	1,463	14,553		16,016
Public Works	1,766	120,008		121,774
Health	2,361			2,361
Debt Service:				
Redemption of Principal			3,766	3,766
Interest and Fiscal Charges				-
Capital Outlay	2,500	16,866		19,366
Total Cash Disbursements	<u>59,503</u>	<u>151,427</u>	<u>3,766</u>	<u>214,696</u>
Total Receipts Over/(Under) Disbursements	<u>7,771</u>	<u>1,666</u>	<u>-</u>	<u>9,437</u>
Fund Cash Balances, January 1, 2001	<u>\$ 16,123.00</u>	<u>\$ 27,463.00</u>	<u>\$ -</u>	<u>\$ 43,586.00</u>
Fund Cash Balances, December 31, 2001	<u>\$ 23,894.01</u>	<u>\$ 29,129.00</u>	<u>\$ -</u>	<u>\$ 53,023.01</u>

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

**BROWN TOWNSHIP
KNOX COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$ 14,875	\$ 64,249	\$ 3,766	\$ 82,890
Intergovernmental	37,173	77,079		114,252
Licenses, Permits, and Fees	4,060			4,060
Earnings on Investments	1,606	755		2,361
Other Revenue	1,015	86		1,101
Total Cash Receipts	<u>58,729</u>	<u>142,169</u>	<u>3,766</u>	<u>204,664</u>
Cash Disbursements:				
Current:				
General Government	52,018			52,018
Public Safety		15,809		15,809
Public Works	567	118,198		118,765
Health	2,541	25		2,566
Debt Service:				
Redemption of Principal			3,766	3,766
Interest and Fiscal Charges				-
Capital Outlay	9,403	34,219		43,622
Total Cash Disbursements	<u>64,529</u>	<u>168,251</u>	<u>3,766</u>	<u>236,546</u>
Total Receipts Over/(Under) Disbursements	<u>(5,800)</u>	<u>(26,082)</u>	<u>-</u>	<u>(31,882)</u>
Fund Cash Balances, January 1, 2000	<u>\$ 21,923.00</u>	<u>\$ 53,545.00</u>	<u>\$ -</u>	<u>\$ 75,468.00</u>
Fund Cash Balances, December 31, 2000	<u>\$ 16,123.00</u>	<u>\$ 27,463.00</u>	<u>\$ -</u>	<u>\$ 43,586.00</u>

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

**BROWN TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Brown Township, Knox County, (the Township) is a body corporate and politic established to exercise 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. The Township provides general government services, road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Village of Danville to provide fire services and ambulance services.

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

B. Basis of Accounting

These financial statements follow 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).

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

C. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to 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:

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

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

**BROWN TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

3. Debt Service Fund

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township established a debt service fund to repay notes issued to purchase a new mower in 1999.

D. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2001 and 2000 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

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

**BROWN TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2001	2000
Demand deposits	\$53,023	\$43,586

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 and December 31, 2000 was as follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$60,846	\$67,274	\$6,428
Special Revenue	151,914	153,093	1,179
Debt Service	3,766	3,766	0
Total	\$216,526	\$224,133	\$7,607

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$76,969	\$59,503	\$17,466
Special Revenue	179,378	151,427	27,951
Debt Service	3,766	3,766	0
Total	\$260,113	\$214,696	\$45,417

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$60,695	\$58,729	(\$1,966)
Special Revenue	132,755	142,169	9,414
Debt Service	3,766	3,766	0
Total	\$197,216	\$204,664	\$7,448

**BROWN TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$84,290	\$64,529	\$19,761
Special Revenue	184,628	168,251	16,377
Debt Service	3,766	3,766	0
Total	\$272,684	\$236,546	\$36,138

4. PROPERTY TAX

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

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

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

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
General Obligation Notes	\$8,437	5.75%

On July 7, 1999, the Township issued notes for the purchase of a new mower. The loan will be repaid in annual installments of \$3,766, including interest over 5 years. The final payment, to be made in FY 2004, will only be for the remainder of the principal and interest.

**BROWN TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. DEBT (Continued)

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

Year ending December 31:	<u>General Obligation Notes</u>
2002	\$3,766
2003	3,766
2004	905
Total	<u><u>\$8,437</u></u>

6. RETIREMENT SYSTEMS

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. 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 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13% effective July 1, 2000 through December 31, 2000. The Township has paid all contributions required through December 31, 2001.

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- General liability
- Official's liability
- Vehicles; and
- Property

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Brown Township
Knox County
20629 Danville Jelloway Road
Danville, Ohio 43014

To the Board of Trustees:

We have audited the accompanying financial statements of Brown Township, Knox County, Ohio, (the Township) as of and for the years ended December 31, 2001, and December 31, 2000, and have issued our report thereon dated June 13, 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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 and grants, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of finding as item 2001-40642-001. Also, we noted a certain immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated June 13, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 13, 2002.

Brown Township
Knox County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

JIM PETRO
Auditor of State

June 13, 2002

**BROWN TOWNSHIP
KNOX COUNTY**

**SCHEDULE OF FINDING
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-40642-001

Ohio Rev. Code Section 5705.41(D) states in part that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

Prior certification of funds by the Clerk was not obtained for 94% of the expenditures tested.

The Clerk should certify funds before each payment is made through the issuance of a regular, blanket or super blanket purchase order. For blanket certificates, one blanket certificate may be issued for each line item appropriation and must not exceed \$5,000. For super blanket certificates, more than one certificate can be outstanding per line item appropriation and the certificate must exceed \$5,000. These blanket certificates should be canceled at the end of each fiscal year.

Also, as an alternative, the Clerk can issue then and now certificates for expenses up to \$1,000. Then and now certificates allow the Clerk to certify that both at the time the expenditure was made and at the time that the certification is completed, sufficient funds are available. These certificates can be certified by the Clerk without subsequent authorization from the Board of Trustees. However, then and now certificates issued by the Clerk over \$1,000 must be authorized by the Board of Trustees within thirty days after payment.



STATE OF OHIO
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BROWN TOWNSHIP

KNOX 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 25, 2002**