

**BROWN TOWNSHIP  
KNOX COUNTY**

**AUDIT REPORT**

**JANUARY 1, 2018 - DECEMBER 31, 2019**



OHIO AUDITOR OF STATE  
KEITH FABER



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Columbus, Ohio 43215  
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(800) 282-0370

Board of Trustees  
Brown Township  
23550 Danville Amity Road  
Danville, Ohio 43014

We have reviewed the *Independent Auditors' Report* of the Brown Township, Knox County, prepared by Wilson, Phillips & Agin, CPA's, 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. The Brown Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

April 29, 2020

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**BROWN TOWNSHIP  
KNOX COUNTY  
JANUARY 1, 2018 - DECEMBER 31, 2019**

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**WILSON, PHILLIPS & AGIN, CPA'S, INC.  
1100 BRANDYWINE BLVD. BUILDING G  
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT**

Brown Township  
Knox County  
23550 Danville Amity Road  
Danville, Ohio 43014

To the Township Trustees:

**Report on the Financial Statements**

We have audited the accompanying financial statements of the cash balances, receipts, disbursements by fund type and related notes of the Brown Township, Knox County, as of and for the years ended December 31, 2019 and 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 the 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 the Township's internal control. Accordingly, we express no 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 opinion.

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

As described in Note 2 of the financial statements, the 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, 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 the 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 permitted 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, Knox County as of December 31, 2019 and 2018, or 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 combined cash balances of Brown Township, Knox County as of December 31, 2019 and 2018, and its combined cash receipts and disbursements 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 12 to the 2019 financial statements, during 2020, the impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the 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 a report dated March 16, 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 the Township's internal control over financial reporting and compliance.

***Wilson, Phillips & Agin, CPA's, Inc.***  
Zanesville, Ohio  
March 16, 2020



**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, 2019**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 42,522	\$ 190,214	\$ -	\$ 232,736
Licenses, Permits and Fees	3,750	1,100	-	4,850
Intergovernmental	31,338	135,161	-	166,499
Earnings on Investments	100	58	-	158
Miscellaneous	-	4,792	-	4,792
<b>Total Cash Receipts</b>	<u>77,710</u>	<u>331,325</u>	<u>-</u>	<u>409,035</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	83,052	-	-	83,052
Public Works	749	230,966	-	231,715
Capital Outlay	49,000	-	-	49,000
Debt Service:				
Principal Retirement	-	6,846	-	6,846
Interest and Fiscal Charges	-	1,480	-	1,480
<b>Total Cash Disbursements</b>	<u>132,801</u>	<u>239,292</u>	<u>-</u>	<u>372,093</u>
<b>Excess of Receipts Over (Under) Disbursements</b>	(55,091)	92,033	-	36,942
<b>Other Financing Receipts (Disbursements)</b>				
Sale of Bonds	50,000	-	-	50,000
<b>Total Other Financing Receipts (Disbursements)</b>	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
<b>Net Change in Fund Cash Balance</b>	(5,091)	92,033	-	86,942
<b>Fund Cash Balances, January 1</b>	<u>38,142</u>	<u>60,988</u>	<u>497</u>	<u>99,627</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	153,021	497	153,518
Unassigned (Deficit)	33,051	-	-	33,051
<b>Fund Cash Balances, December 31</b>	<u>\$ 33,051</u>	<u>\$ 153,021</u>	<u>\$ 497</u>	<u>\$ 186,569</u>

See notes to financial statements.

**BROWN TOWNSHIP  
KNOX COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**1. REPORTING ENTITY**

**Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Brown Township, Knox County, (the Township) as a body corporate and politic. A publically-elected three-member Board of Trustees directs the Township. The Township provides general government services, road and bridge maintenance, and cemetery maintenance. The Knox County Sheriff provides police protection.

The Township participates in the Ohio Plan Risk Management, Inc. (OPRM) public entity risk pool. Note 6 to the financial statements provides additional information for this entity. The Township participates in the Eastern Knox County Joint Fire District a jointly governed organization. Note 11 to the financial statements provides additional information for this entity.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

**B. 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 significant Special Revenue Fund:

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

**Road District Fund** – This fund receives property tax monies to pay for constructing, maintaining, and repairing Township roads and bridges.

**BROWN TOWNSHIP  
KNOX COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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

**Debt Service Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

**General Note Retirement Fund** – This fund receives property tax money for the retirement of debt principal and interest related to a maintenance equipment purchase.

**C. 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 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D) permit.

**D. 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 and object level of control and appropriations may not exceed estimated resources. The 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 2019 budgetary activity appears in Note 3.

**E. Deposits and Investments**

The Township's accounting basis includes investment 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.

**BROWN TOWNSHIP  
KNOX COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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

**F. 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.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**H. 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.

**BROWN TOWNSHIP  
KNOX COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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

**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.

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.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ended December 31, 2019 is as follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 115,014	\$ 127,710	\$ 12,696
Special Revenue	297,298	331,325	34,027
Total	\$ 412,312	\$ 459,035	\$ 46,723

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 158,855	\$ 132,801	\$ 26,054
Special Revenue	352,585	239,292	113,293
Debt Service	497	-	497
Total	\$ 511,937	\$ 372,093	\$ 139,844

Contrary to ORC 5705.39, the Township had appropriations greater than estimated resources.

Contrary to ORC 5705.41 (D), the township made expenditures prior to certification.

**4. EQUITY IN POOLED CASH**

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

Demand Deposits	2019 \$ 186,569
Total Deposits	\$ 186,569

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

**BROWN TOWNSHIP  
KNOX COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**5. PROPERTY TAX**

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

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

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

**6. RISK MANAGEMENT**

The Government belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the “Plan”), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (“Members”). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018 (the latest information available):

	<u>2018</u>
Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Retained Earnings	<u>\$ 4,330,789</u>

You can read the complete audited financial statements for OPRM at the Plan’s website, [www.ohioplan.org](http://www.ohioplan.org) .

**BROWN TOWNSHIP  
KNOX COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**7. DEFINED BENEFIT PENSION PLANS**

*Ohio Public Employees Retirement System*

Some of the Township’s full-time employees belong to the Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple employer plan. The Ohio Revised Code prescribes the plan benefits, which include postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2019, OPERS members contributed 10.0% of their gross wages and the Township contributed an amount equal to 14.0% of participant’s gross salaries. The Township has paid all contributions required through December 31, 2019.

**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.

**9. DEBT**

Debt outstanding at December 31, 2019 was as follows:

	Principal	Interest rate
2019 Township Equipment Bonds	\$ 43,154	4.18%
Total	\$ 43,154	

The Township issued Equipment Bonds in 2019 to finance the purchase of two dump trucks to be used for Township road maintenance. The Township’s taxing authority collateralized the note. This bond will be paid from various funds in monthly installments over 5 years with interest at 4.18%.

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

Year Ended December 31	Community Bank
2020	\$ 11,101
2021	11,101
2022	11,101
2023	11,101
2024	2,775
Total	\$ 47,179

**10. PUBLIC ENTITY RISK POOL**

The Township belongs to the Ohio Government Risk Management Plan (the Plan) an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management plan. Member governments pay annual premiums to fund the Plan. The Plan pays judgments, settlements and other expenses resulting from covered claims exceeding the member’s deductible.

**BROWN TOWNSHIP  
KNOX COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**11. JOINTLY GOVERNED ORGANIZATION**

The Eastern Knox County Joint Fire District (the District) is a jointly governed organization pursuant to Ohio Revised Code Section 505.3371. The District was formed in 2001 and consists of Brown, Butler, Harrison, Howard, Jefferson and Union Townships and the Villages of Brinkhaven and Danville. The Board consists of a trustee/councilperson from each township and village and an at large member appointed by the vote of the District Board. Revenues are generated by a 5 mil operating levy.

**12. SUBSEQUENT EVENTS**

The United State 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, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.



**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, 2018**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 40,437	\$ 155,799	\$ -	\$ 196,236
Licenses, Permits and Fees	3,100	350	-	3,450
Intergovernmental	29,761	127,840	-	157,601
Earnings on Investments	80	57	-	137
Miscellaneous	-	2,351	-	2,351
<b>Total Cash Receipts</b>	<u>73,378</u>	<u>286,397</u>	<u>-</u>	<u>359,775</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	77,039	512	-	77,551
Public Works	643	287,813	-	288,456
<b>Total Cash Disbursements</b>	<u>77,682</u>	<u>288,325</u>	<u>-</u>	<u>366,007</u>
<b>Net Change in Fund Cash Balance</b>	(4,304)	(1,928)	-	(6,232)
<b>Fund Cash Balances, January 1, Restated</b>	<u>42,446</u>	<u>62,916</u>	<u>497</u>	<u>105,859</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	60,988	497	61,485
Unassigned (Deficit)	38,142	-	-	38,142
<b>Fund Cash Balances, December 31</b>	<u>\$ 38,142</u>	<u>\$ 60,988</u>	<u>\$ 497</u>	<u>\$ 99,627</u>

See notes to financial statements.

**BROWN TOWNSHIP  
KNOX COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**1. REPORTING ENTITY**

**Description of the Entity**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

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**BROWN TOWNSHIP  
KNOX COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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

**Debt Service Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

**General Note Retirement Fund** – This fund receives property tax money for the retirement of debt principal and interest related to a maintenance equipment purchase.

**C. 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 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D) permit.

**D. 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 and object level of control and appropriations may not exceed estimated resources. The 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.

**E. Deposits and Investments**

The Township's accounting basis includes investment 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.

**BROWN TOWNSHIP  
KNOX COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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

**F. 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.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**H. 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.

**BROWN TOWNSHIP  
KNOX COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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

**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.

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.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ended December 31, 2018 is as follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 61,818	\$ 73,378	\$ 11,560
Special Revenue	295,746	286,397	(9,349)
Total	\$ 357,564	\$ 359,775	\$ 2,211

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 104,264	\$ 77,682	\$ 26,582
Special Revenue	335,116	288,325	46,791
Debt Service	497	-	497
Total	\$ 439,877	\$ 366,007	\$ 73,870

Contrary to ORC 5705.39, the Township had appropriations greater than estimated resources.

Contrary to ORC 5705.41 (D), the township made expenditures prior to certification.

**4. EQUITY IN POOLED CASH**

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

Demand Deposits	2018 \$ 99,627
Total Deposits	\$ 99,627

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

**BROWN TOWNSHIP  
KNOX COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**5. PROPERTY TAX**

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

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

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

**6. RISK MANAGEMENT**

The Government belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the “Plan”), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (“Members”). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018:

	<u>2018</u>
Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Retained Earnings	<u>\$ 4,330,789</u>

You can read the complete audited financial statements for OPRM at the Plan’s website, [www.ohioplan.org](http://www.ohioplan.org).

**BROWN TOWNSHIP  
KNOX COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**7. DEFINED BENEFIT PENSION PLANS**

*Ohio Public Employees Retirement System*

Some of the Township’s full-time employees belong to the Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple employer plan. The Ohio Revised Code prescribes the plan benefits, which include postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2018, OPERS members contributed 10.0% of their gross wages and the Township contributed an amount equal to 14.0% of participant’s gross salaries. The Township has paid all contributions required through December 31, 2018.

**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. OPERS contributes 1 percent of the employer contribution to fund these benefits.

**9. PUBLIC ENTITY RISK POOL**

The Township belongs to the Ohio Government Risk Management Plan (the Plan) an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management plan. Member governments pay annual premiums to fund the Plan. The Plan pays judgments, settlements and other expenses resulting from covered claims exceeding the member’s deductible.

**10. JOINTLY GOVERNED ORGANIZATION**

The Eastern Knox County Joint Fire District (the District) is a jointly governed organization pursuant to Ohio Revised Code Section 505.3371. The District was formed in 2001 and consists of Brown, Butler, Harrison, Howard, Jefferson and Union Townships and the Villages of Brinkhaven and Danville. The Board consists of a trustee/councilperson from each township and village and an at large member appointed by the vote of the District Board. Revenues are generated by a 5 mil operating levy.

**11. RESTATEMENT OF FUND BALANCE**

Fund balances in the General and Special Revenue Funds have been restated for the year beginning January 1, 2017 as voided checks were added back:

	General	Special Revenue
Fund Balance at December 31, 2017	\$ 42,427	\$ 62,915
Adjustments	19	1
Fund Balance at January 1, 2018	\$ 42,446	\$ 62,916

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**WILSON, PHILLIPS & AGIN, CPA'S, INC.  
1100 BRANDYWINE BLVD. BUILDING G  
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS.**

Brown Township  
Knox County  
23550 Danville Amity Road  
Danville, Ohio 43014

To the Township Trustees:

We have audited, in accordance with auditing standards general accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Brown Township, Knox County as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated March 16, 2020, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

***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 the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the 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. We consider Findings 2019-001 and 2019-002 in the accompanying schedule of findings to be material weaknesses.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about 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 was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed one instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2019-002.

***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 the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

***Wilson, Phillips & Agin, CPA's, Inc.***  
Zanesville, Ohio  
March 16, 2020

**BROWN TOWNSHIP  
KNOX COUNTY**

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

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

**FINDING NUMBER 2019-001**

**Material Weakness – Financial Reporting**

Sound financial reporting is the responsibility of the Fiscal Officer and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following reclassification was made to the December 31, 2019 and 2018 financial statements and the Township's records where applicable:

The following is related to 2019;

- Intergovernmental Receipts in the amount of \$50,000 were reclassified to the Sale of Bonds in the General Fund for the new bond acquired to finance the purchase of two dump trucks.

Sound financial reporting is the responsibility of the Township and is essential to help ensure the information provided to the readers of financial statements is complete and accurate. To help ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures to identify and correct errors and omissions. In addition, the Township should review the financial statements and notes prior to submission for audit.

**Client Response:** We have not received a response from the client.

**FINDING NUMBER 2019-002**

**Noncompliance and Material Weakness**

Ohio Revised Code Section 505.24(D) provides that when township trustees' compensation consists of an annual salary to be paid in equal monthly payments, each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportion as the kinds of services performed.

During 2018 and 2019, Trustees' were paid from Special Revenue Funds without preparing payroll certifications. For 2018, salaries of \$1,900 and \$3,800, were posted to the Motor Vehicle License Tax Fund and Gasoline Tax Fund, respectively. For 2019, salaries of \$3,333 and \$5,333, were posted to the Motor Vehicle License Tax Fund and Gasoline Tax Fund, respectively. Without preparing proper documentation, these amounts should've been paid from the General Fund.

The above adjustments with which the Township agrees were made to the December 31, 2019 and 2018 financial statements and the Township's records where applicable.

We recommend that certifications be used every month by each Trustee to properly account for salaries and the correct posting of such salaries.

**Client Response:** We have not received a response from the client.

**BROWN TOWNSHIP  
KNOX COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2019**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2017-001	ORC 5705.41 (D) Expenditures prior to certification	No	Partially Corrected, reissued in Management Letter
2017-002	ORC 117.38 Hinkle System Filing	No	Partially Corrected, reissued in Management Letter
2017-003	Material Weakness Financial Reporting	No	Not Corrected- Refer to Finding 2019-001

OHIO AUDITOR OF STATE  
**KEITH FABER**



**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  
MAY 12, 2020**