



Dave Yost • Auditor of State



**BROWN TOWNSHIP  
DELAWARE COUNTY  
DECEMBER 31, 2017 AND 2016**

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# Dave Yost • Auditor of State

## 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 the Brown Township, Delaware County, Ohio (the Township) as of and for the years ended December 31, 2017 and 2016.

### ***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 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, 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 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 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 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 the Township as of December 31, 2017 and 2016, 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 the Brown Township, Delaware County as of December 31, 2017 and 2016, 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2018, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

May 3, 2018

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, 2017

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$117,649	\$93,949	\$0	\$211,598
Licenses, Permits and Fees	7,745	14,759	0	22,504
Intergovernmental	33,914	110,557	287,789	432,260
Earnings on Investments	9,977	2,561	0	12,538
Miscellaneous	7,968	11,800	1,094,050	1,113,818
<i>Total Cash Receipts</i>	<u>177,253</u>	<u>233,626</u>	<u>1,381,839</u>	<u>1,792,718</u>
<b>Cash Disbursements</b>				
Current:				
General Government	151,538	0	1,321,278	1,472,816
Public Works	0	162,792		162,792
Health	13,641	10,863		24,504
Conservation-Recreation	3,624			3,624
Capital Outlay	43,674		287,789	331,463
<i>Total Cash Disbursements</i>	<u>212,477</u>	<u>173,655</u>	<u>1,609,067</u>	<u>1,995,199</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(35,224)</u>	<u>59,971</u>	<u>(227,228)</u>	<u>(202,481)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In			320,000	320,000
Transfers Out	(320,000)			(320,000)
Advances In	41,161		41,161	82,322
Advances Out	(41,161)		(41,161)	(82,322)
Other Financing Uses	(6,790)			(6,790)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(326,790)</u>	<u>0</u>	<u>320,000</u>	<u>(6,790)</u>
<i>Net Change in Fund Cash Balances</i>	(362,014)	59,971	92,772	(209,271)
<i>Fund Cash Balances, January 1</i>	<u>898,562</u>	<u>572,925</u>	<u>86,303</u>	<u>1,557,790</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	0	632,896	179,075	811,971
Assigned to Subsequent Year Appropriations	188,691	0	0	188,691
Unassigned	347,857	0	0	347,857
<i>Fund Cash Balances, December 31</i>	<u>\$536,548</u>	<u>\$632,896</u>	<u>\$179,075</u>	<u>\$1,348,519</u>

See accompanying notes to the basic financial statements

**Brown Township**  
*Delaware County, Ohio*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 1 – Reporting Entity**

Brown Township, Delaware County, Ohio (the Township), is a body politic and corporate established in 1826 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 also has an elected Township Fiscal Officer. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the Tri-Township Joint Fire District for fire protection. Police protection is provided by Delaware County Sheriff's Department.

**Public Entity Risk Pools**

The Township participates in a public entity risk pool. Note 6 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.

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

**Basis of Presentation**

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (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 Fund** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The Township had the following significant 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) restricted for the construction, reconstruction, resurfacing and repair of Township roads and bridges.

**Permissive Motor Vehicle License Tax** 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, opening & closing fees, and interest. These monies are to be used for cemetery purposes.



**Brown Township**  
*Delaware County, Ohio*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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

**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 significant capital project funds:

**Public Works Commission Project Fund** The public works commission project fund accounts for and reports State OPWC grant money restricted for the purpose of improving Township infrastructure.

**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).

***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 2017 budgetary activity appears in Note 3

***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

**Brown Township**  
*Delaware County, Ohio*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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

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 is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

**Nonspendable** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

**Restricted** Fund balance is reported as 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** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of Township Trustees. Those committed amounts cannot be used for any other purpose unless the Township Trustees remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not 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 contained 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.

**Brown Township**  
*Delaware County, Ohio*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 3 – Budgetary Basis of Accounting Activity**

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$165,345	\$218,414	\$53,069
Special Revenue	185,556	233,626	48,070
Capital Projects	1,718,201	1,743,000	24,799
Total	\$2,069,102	\$2,195,040	\$125,938

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$812,900	\$590,438	\$222,462
Special Revenue	482,400	175,685	306,715
Capital Projects	1,858,201	1,816,050	42,151
Total	\$3,153,501	\$2,582,173	\$571,328

**Note 4 – Deposits and Investments**

The Township maintains a deposit 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:

	2017
Demand deposits	\$125,015
Total deposits	125,015
STAR Ohio	1,223,504
Total investments	1,223,504
Total deposits and investments	\$1,348,519

**Deposits-** Deposits are insured by the Federal Depository Insurance Corporation

**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 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.

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

**Brown Township**  
*Delaware County, Ohio*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 6 – Risk Management**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2016, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2016 (latest information available).

	<b>2016</b>
Assets	\$38,473,283
Liabilities	8,244,140
Net Position	\$30,229,143

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$3,864.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

**Brown Township**  
*Delaware County, Ohio*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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

<b>2016 Contributions to OTARMA</b>
\$ 8,587

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**Note 7 – Defined Benefit Pension Plan**

***Ohio Public Employees Retirement System***

Some township 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 postretirement healthcare and survivor and disability benefits. We do have one township trustee who elected not to participate in OPERS and therefore contributes to social security.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Township contributed an amount equaling 14%, of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

**Note 8 - Postemployment Benefits**

***Ohio Public Employees Retirement System***

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 of both the traditional pension and the combined plans. OPERS contributes 1 percent of the employer contribution to fund these benefits.

**Note 9 – 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 10 – 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.

**Brown Township**  
*Delaware County, Ohio*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 10 – Related Party Transactions (Continued)**

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.

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, 2016

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$117,472	\$94,044	\$0	\$211,516
Licenses, Permits and Fees	5,871	17,756	0	23,627
Intergovernmental	33,602	116,397	0	149,999
Earnings on Investments	4,846	1,145	0	5,991
Miscellaneous	8,191	6,800	5,950	20,941
<i>Total Cash Receipts</i>	<u>169,982</u>	<u>236,142</u>	<u>5,950</u>	<u>412,074</u>
<b>Cash Disbursements</b>				
Current:				
General Government	141,478	0	5,950	147,428
Public Works	0	238,839		238,839
Health	16,411	4,862		21,273
Conservation-Recreation	4,929			4,929
Capital Outlay	106,929			106,929
<i>Total Cash Disbursements</i>	<u>269,747</u>	<u>243,701</u>	<u>5,950</u>	<u>519,398</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(99,765)</u>	<u>(7,559)</u>	<u>0</u>	<u>(107,324)</u>
<i>Net Change in Fund Cash Balances</i>	(99,765)	(7,559)	0	(107,324)
<i>Fund Cash Balances, January 1</i>	<u>998,327</u>	<u>580,484</u>	<u>86,303</u>	<u>1,665,114</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	0	572,925	86,303	659,228
Assigned to Subsequent Year Appropriations	563,855	0	0	563,855
Unassigned	334,707	0	0	334,707
<i>Fund Cash Balances, December 31</i>	<u>\$898,562</u>	<u>\$572,925</u>	<u>\$86,303</u>	<u>\$1,557,790</u>

See accompanying notes to the basic financial statements

**Brown Township**  
*Delaware County, Ohio*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

---

**Note 1 – Reporting Entity**

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**Public Entity Risk Pools**

The Township participates in a public entity risk pool. Note 6 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.

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

**Basis of Presentation**

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

**Fund Accounting**

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**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) restricted for the construction, reconstruction, resurfacing and repair of Township roads and bridges.

**Permissive Motor Vehicle License Tax** 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, opening & closing fees, and interest. These monies are to be used for cemetery purposes.



**Brown Township**  
*Delaware County, Ohio*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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

**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 significant capital project funds:

**Public Works Commission Project Fund** The public works commission project fund accounts for and reports State OPWC grant money restricted for the purpose of improving Township infrastructure.

**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).

**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 not be reappropriated.

A summary of 2016 budgetary activity appears in Note 3

**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.

**Brown Township**  
*Delaware County, Ohio*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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

***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 is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

***Restricted*** Fund balance is reported as 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*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of Township Trustees. Those committed amounts cannot be used for any other purpose unless the Township Trustees remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not 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 contained 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.

**Brown Township**  
*Delaware County, Ohio*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 3 – Budgetary Basis of Accounting Activity**

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$163,227	\$169,982	\$6,755
Special Revenue	180,578	236,142	55,564
Capital Projects	1,100,000	5,950	(1,094,050)
Total	\$1,443,805	\$412,074	(\$1,031,731)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$606,300	\$269,747	\$336,553
Special Revenue	483,362	243,701	239,661
Capital Projects	1,100,000	5,950	1,094,050
Total	\$2,189,662	\$519,398	\$1,670,264

**Note 4 – Deposits and Investments**

The Township maintains a deposit 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:

	2016
Demand deposits	\$46,488
Total deposits	46,488
STAR Ohio	1,511,302
Total investments	1,511,302
Total deposits and investments	\$1,557,790

**Deposits-** Deposits are insured by the Federal Depository Insurance Corporation

**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 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.

**Brown Township**  
*Delaware County, Ohio*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 5 – Property Taxes (Continued)**

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**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2016, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2016.

	<b>2016</b>
Assets	\$38,473,283
Liabilities	8,244,140
Net Position	\$30,229,143

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$3,864.

**Brown Township**  
*Delaware County, Ohio*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<b>2016 Contributions to OTARMA</b>
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\$ 8,587
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After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**Note 7 – Defined Benefit Pension Plan**

***Ohio Public Employees Retirement System***

Some township 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 postretirement healthcare and survivor and disability benefits. We do have one township trustee who elected not to participate in OPERS and therefore contributes to social security.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Township contributed an amount equaling 14%, of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

**Note 8 - Postemployment Benefits**

***Ohio Public Employees Retirement System***

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 of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**Note 9 – 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.

**Brown Township**  
*Delaware County, Ohio*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 10 – 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.



# Dave Yost • Auditor of State

## 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 the Brown Township, Delaware County, (the Township) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated May 3, 2018, 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 the 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.

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 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.

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2017-001 and 2017-002 to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-001.

***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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

May 3, 2018



**BROWN TOWNSHIP  
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2017-001**

**Material Weakness/Noncompliance- Illegal Transfers**

**Ohio Rev. Code § 5705.14** provides that no transfer shall be made from one fund of a subdivision to any other fund, by order of the court or otherwise, except for as provided under various sections of **Ohio Rev. Code § 5705.14**.

**Ohio Rev. Code § 5705.14(D)** requires that the unexpended balance in any special fund, other than an improvement fund, existing in accordance with division **(D)**, **(F)**, or **(G)** of section **5705.09** or **section 5705.12** of the Ohio Rev. Code, may be transferred to the general fund or to the sinking fund or bond retirement fund after the termination of the activity, service, or other undertaking for which such special fund existed, but only after the payment of all obligations incurred and payable from such special fund.

During 2017, the Township transferred \$49,596 to expend local match funds from the Road and Bridge Fund to the Public Works Commission Fund. Actual expenditures were made from the Road and Bridge fund negating the purpose for the transfer to the Public Works Commission Fund. Because the Special Revenue Fund's activity was not terminated during the year, the provisions of the Ohio Rev. Code do not allow for such transfers.

The Township's accounting records and financial statements have been adjusted to reverse this transfer. Approval of illegal transfers could result in deficit spending and misappropriation of assets.

We recommend the Township review the internal control process over transfers to help ensure allocations will be made only from allowable funds and in accordance with the Ohio Rev. Code.

**Officials' Response:** We did not receive a response from Officials to this finding.

**FINDING NUMBER 2017-002**

**Material Weakness – Financial Statement Presentation**

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Due to a lack of review by the fiscal officer, the below adjustments were material and were subsequently posted to the financial statements and accounting records, where applicable:

- In 2016, the Township posted \$5,950 of Miscellaneous Receipts incorrectly to the General Fund rather than in the Capital Projects Fund.

**BROWN TOWNSHIP  
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

**1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2017-002 (Continued)**

**Material Weakness – Financial Statement Presentation (Continued)**

- In 2016 and 2017, the Township did not appropriately classify the General Fund fund balance in accordance with Governmental Accounting Standards Board (GASB) Statement Number 54. In 2016 and 2017, the assigned fund balances were misclassified as unassigned by \$563,855 and \$188,691 respectively.

In addition to the reclassifications and adjustments listed above, we brought two additional immaterial reclassifications of \$6,263 in both 2016 and 2017 to the Township's attention.

Presenting inaccurate financial information resulted in the financial statements requiring the above audit adjustments and reclassifications, including the additional time and effort to identify the variance and discrepancy.

The Township's Fiscal Officer should take steps to help ensure the accurate posting of all transactions to the ledgers. Cash receipts and disbursements should be posted in accordance with procedures and posting guidelines established in Ohio Township Handbook and Auditor of State Bulletin 2011-004. By exercising accuracy in recording financial activity, the Township can help reduce posting errors and increase the reliability of the financial data throughout the year.

**Officials' Response:** We did not receive a response from Officials to this finding.



# Dave Yost • Auditor of State

**BROWN TOWNSHIP**

**DELAWARE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 31, 2018**