

Brush Creek Township  
Scioto County  
Regular Audit  
For the Years Ended December 31, 2011 and 2010



Millhuff-Stang, CPA, Inc.  
1428 Gallia Street, Suite 2  
Portsmouth, Ohio 45662  
Phone: 740.876.8548 ■ Fax: 888.876.8549  
Website: [www.milhuffstangcpa.com](http://www.milhuffstangcpa.com) ■ Email: [natalie@milhuffstangcpa.com](mailto:natalie@milhuffstangcpa.com)





# Dave Yost • Auditor of State

Board of Trustees  
Brush Creek Township  
P.O. Box 12  
Otway, Ohio 45657

We have reviewed the *Independent Auditor's Report* of Brush Creek Township, Scioto County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2010 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

October 8, 2012

**This page intentionally left blank.**

**Brush Creek Township**  
**Scioto County**  
*Table of Contents*  
*For the Years Ended December 31, 2011 and 2010*

---

Title	Page
Independent Auditor's Report .....	1 – 2
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2011 .....	3
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2010 .....	4
Notes to the Financial Statements .....	5 – 11
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	12 – 13
Schedule of Findings and Responses .....	14 – 16

**This page intentionally left blank.**

**Independent Auditor's Report**

Board of Trustees  
Brush Creek Township  
P.O. Box 12  
Otway, Ohio 45657

We have audited the accompanying financial statements of Brush Creek Township, Scioto County, (the Township) as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity-wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010, of Brush Creek Township, Scioto County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 11, during 2011 the Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2012 on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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* and should be considered in assessing the results of our audit.



Natalie Millhuff-Stang, CPA  
President/Owner  
Millhuff-Stang CPA, Inc.

June 28, 2012



**Brush Creek Township**  
**Scioto County**  
*Combined Statement of Cash Receipts, Cash Disbursements and*  
*Changes in Fund Cash Balances*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2011*

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$23,837	\$45,082	\$68,919
Intergovernmental	15,410	223,572	238,982
Earnings on Investments	23	34	57
Miscellaneous	1,395	18,561	19,956
Total Cash Receipts	40,665	287,249	327,914
<b>Cash Disbursements:</b>			
Current:			
General Government	38,839	0	38,839
Public Safety	0	35,890	35,890
Public Works	0	117,692	117,692
Health	8,644	8,105	16,749
Conservation and Recreation	0	2,555	2,555
Capital Outlay	1,162	128,000	129,162
Debt Service:			
Redemption of Principal	3,994	3,306	7,300
Interest and Other Fiscal Charges	1,644	437	2,081
Total Cash Disbursements	54,283	295,985	350,268
Total Cash Receipts Under Cash Disbursements	(13,618)	(8,736)	(22,354)
Extraordinary Items	30,480	0	30,480
Net Change in Fund Cash Balances	16,862	(8,736)	8,126
Fund Cash Balances (Deficit), January 1	(11,437)	102,819	91,382
Fund Cash Balances, December 31:			
Restricted for:			
Road and Bridge Maintenance and Repair	0	81,125	81,125
Cemetery	0	7,174	7,174
Fire Protection	0	3,612	3,612
Parks and Recreation	0	2,172	2,172
Unassigned	5,425	0	5,425
Fund Cash Balances, December 31	\$5,425	\$94,083	\$99,508

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

**Brush Creek Township**  
**Scioto County**  
*Combined Statement of Cash Receipts, Cash Disbursements and*  
*Changes in Fund Cash Balances*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2010*

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$20,920	\$35,822	\$56,742
Intergovernmental	9,983	266,574	276,557
Earnings on Investments	38	58	96
Miscellaneous	178	16,721	16,899
<b>Total Cash Receipts</b>	<b>31,119</b>	<b>319,175</b>	<b>350,294</b>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
General Government	39,065	0	39,065
Public Safety	0	30,648	30,648
Public Works	0	75,888	75,888
Health	8,376	9,910	18,286
Conservation/Recreation	0	17,056	17,056
Capital Outlay	331	176,584	176,915
<b>Debt Service:</b>			
Redemption of Principal	3,820	3,145	6,965
Interest and Other Fiscal Charges	1,825	598	2,423
<b>Total Cash Disbursements</b>	<b>53,417</b>	<b>313,829</b>	<b>367,246</b>
<b>Total Cash Receipts Over (Under) Cash Disbursements</b>	<b>(22,298)</b>	<b>5,346</b>	<b>(16,952)</b>
<b>Other Financing Receipts (Disbursements):</b>			
Advances In	3,500	3,500	7,000
Advances Out	(3,500)	(3,500)	(7,000)
<b>Total Other Financing Receipts (Disbursements)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(22,298)</b>	<b>5,346</b>	<b>(16,952)</b>
<b>Fund Cash Balances, January 1</b>	<b>10,861</b>	<b>97,473</b>	<b>108,334</b>
<b>Fund Cash Balances (Deficit), December 31</b>	<b>(\$11,437)</b>	<b>\$102,819</b>	<b>\$91,382</b>

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

**Brush Creek Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2011 and 2010*

---

**Note 1 – Summary of Significant Accounting Policies**

**Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Brush Creek Township, Scioto County (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection, and ambulatory services. The Township contracts with the Village of Otway to provide fire protection services and with Scioto Ambulatory District to provide ambulance services. The Scioto Ambulatory District is defined as a jointly governed organization and is described in Note 9.

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is the Ohio Township Association Risk Management Authority (OTARMA). This is a risk sharing pool available to all townships for property and casualty insurance coverage.

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

**Basis of Accounting**

These financial statements follow the accounting basis the Auditor of State of Ohio prescribes or permits. 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 Auditor of State prescribes or permits.

**Cash**

The Township maintains its cash pool in an interest-bearing checking account with a local commercial bank.

**Fund Accounting**

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

*General Fund*

The General Fund reports all financial resources except those required to be accounted for in another fund.

*Special Revenue Funds*

These funds account for proceeds from specific sources (other than those from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Fund:

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

**Brush Creek Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2011 and 2010*

---

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**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. The County Budget Commission must also approve the annual appropriation measure. Unencumbered 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 also 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 the 2011 and 2010 budgetary activity appears in Note 3.

**Fund Balances**

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of the resources in the governmental funds. 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 amends 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 the Township Trustees or a Township official delegated that authority by resolution, or by State statute.

**Brush Creek Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2011 and 2010*

---

**Note 1 – 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.

**Property, Plant, and Equipment**

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

**Note 2 – Equity in Pooled Cash**

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

	2011	2010
Demand Deposits	\$99,508	\$91,382

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

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2011 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$72,811	\$71,145	(\$1,666)
Special Revenue	305,391	287,249	(18,142)
Total	\$378,202	\$358,394	(\$19,808)

  

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$45,969	\$54,283	(\$8,314)
Special Revenue	362,277	295,985	66,292
Total	\$408,246	\$350,268	\$57,978

**Brush Creek Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2011 and 2010*

---

**Note 3 – Budgetary Activity (Continued)**

Budgetary activity for the year ending December 31, 2010 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$32,576	\$34,619	\$2,043
Special Revenue	305,879	322,675	16,796
Total	\$338,455	\$357,294	\$18,839

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$44,358	\$56,917	(\$12,559)
Special Revenue	249,394	317,329	(67,935)
Total	\$293,752	\$374,246	(\$80,494)

**Note 4 – 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.

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

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

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

**Note 5 – Debt**

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
Land Bonds	\$33,532	4.5%
Dump Truck Bonds	7,071	5.0%
Total	\$40,603	

In June 2008, the Township authorized the issuance of \$45,000 in bonds for the purpose of purchasing property. These bonds carry an interest rate of 4.5% and require semi-annual payments of \$2,819, with a final payment due in August 2018. These bonds are secured by the full faith and credit of the Township.

In November 2008, the Township authorized the issuance of \$16,500 in bonds for the purpose of purchasing a dump truck. These bonds carry an interest rate of 5% and require monthly payments of \$311, with a final payment due in December 2013. These bonds are secured by the full faith and credit of the Township.

**Brush Creek Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2011 and 2010*

---

**Note 5 – Debt (Continued)**

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

Year Ending December 31:	Land Bonds	Dump Truck Bonds
2012	\$5,639	\$3,737
2013	5,639	3,737
2014	5,639	0
2015	5,639	0
2016	5,639	0
2017-2018	11,278	0
Total	\$39,473	\$7,474

**Note 6 – Retirement System**

The Township’s employees and officials 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 includes postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10% of their gross salaries, with the Township contributing an amount equal to 14% of participants’ gross salaries. The Township has paid all contributions required through December 31, 2011.

**Note 7 – Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters.

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

The Township contracted with the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

**Casualty Coverage**

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$13,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA. If losses exhaust OTARMA’s retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to the annual aggregate limit of \$10,000,000.

**Brush Creek Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2011 and 2010*

---

**Note 7 – Risk Management (Continued)**

Property Coverage

The Travelers Indemnity Company reinsures specific losses exceeding \$500,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$150,000 up to \$500,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides property aggregate stop loss coverage to APEEP based upon the combined Members' Total Insurable Value (TIV). If the stop loss is reached by payment of the Pools retained losses, Travelers will then reinsure property specific losses in excess of the retention up to their \$600,000,000 per occurrence limit. Additionally, effective January 1, 2009, APEEP provides an additional aggregate for the \$50,000 excess \$100,000 layer, with the aggregate limit tied to TIV, for the insurance coverages to the Pools.

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

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

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, 2011 and 2010:

	2011	2010
Assets	\$35,086,165	\$35,855,252
Liabilities	9,718,792	10,664,724
Net Assets	<u>\$25,367,373</u>	<u>\$25,190,528</u>

At December 31, 2011 and 2010, respectively, liabilities noted above include approximately \$9.1 million and \$9.9 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$8.6 million and \$9.5 million of unpaid claims to be billed to 938 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims is approximately \$9,730.

Based on discussions with OTARMA the expected rates charged by OTARMA 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 liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership. The Township's contributions to OTARMA for the years ending December 31, 2011 and 2010 were \$4,865 and \$4,187, respectively.

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary 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.



**Brush Creek Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2011 and 2010*

---

**Note 8 – Contingent Liabilities**

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

The Township is not currently party to legal proceedings.

**Note 9 – Jointly Governed Organization**

The Township is a member of the Scioto Ambulatory District. The Ambulatory District is directed by an appointed five-member Board. The District provides ambulatory services to the areas of Brush Creek Township, Rush Township, Union Township, Morgan Township and the Village of Otway. A representative from each Township or Village is appointed to the Scioto Ambulatory District Board. The Ambulatory District is supported by taxes that are collected by the Scioto County Auditor from the property owners in Brush Creek Township. These taxes are paid to the Ambulatory District by the County. The Township does not assist in funding the Ambulatory District.

**Note 10 – Accountability and Compliance**

- The Township did not always certify the availability of funds contrary to Ohio Revised Code Section 5705.41(D).
- The Township had expenditures in excess of appropriations contrary to Ohio Revised Code Section 5705.41(B).
- The Township did not properly pay Trustees in accordance with Ohio Revised Code Section 505.24.

**Note 11 – Change in Accounting Principles**

In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”, which the Township has implemented for the year ended December 31, 2011. This pronouncement does not affect the calculation of the Township’s fund balances but does shift the focus of fund balance reporting from the availability of fund resources for budgeting to the extent to which the Township is bound to honor constraints on the specific purposes for which amounts in funds can be spent (See Note 1). Fund balances have been classified in the financial statements, as applicable, for the year ended December 31, 2011 in accordance with this pronouncement. This pronouncement also requires that certain funds previously reported as Special Revenue Funds be reclassified to the General Fund. The Township has no funds that required fund reclassification.

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Board of Trustees  
Brush Creek Township  
P.O. Box 12  
Otway, Ohio 45657

We have audited the financial statements of Brush Creek Township, Scioto County, (the Township) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated June 28, 2012, wherein we noted the Township followed the accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted, for the year ended December 31, 2011, the Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. These findings are identified as items 2011-1 and 2011-2.

Brush Creek Township  
Scioto County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Page 2

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2011-3 through 2011-5.

We noted certain matters that we reported to management of the Township in a separate letter dated June 28, 2012.

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

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



Natalie Millhuff-Stang, CPA  
President/Owner  
Millhuff-Stang CPA, Inc.

June 28, 2012

**Brush Creek Township**  
**Scioto County**  
*Schedule of Findings and Responses*  
*For the Years Ended December 31, 2011 and 2010*

---

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

**Finding Number 2011-1**

**Material Weakness – Financial Reporting**

A monitoring system by the Township should be in place to prevent or detect misstatements for the accurate presentation of the Township's financial statements. Several errors were identified within the Township's financial records, including misclassification of receipts and disbursements and postings to incorrect funds. In addition, the Township's records, which are kept manually, were not in agreement between themselves and various other errors were identified, such as incorrect check numbers recorded. Errors appear to be a result of lack of proper monitoring procedures. Errors in the financial statements subject the Township to the risk of relying on misinformation for decision-making processes and could result in such problems as deficit spending in funds. Also, variances among accounting ledgers may not provide the Township with a timely and accurate picture of financial status until variances are resolved. The Township should implement additional monitoring procedures to ensure financial transactions are properly recorded and that accounting ledgers are properly reconciled on a regular basis and accurately reflect activity.

**Township Response:**

The Township is working to correct these issues.

**Finding Number 2011-2**

**Material Weakness – Financial Monitoring**

Sound internal control policies require management and the Trustees to monitor the financial activity of the Township. Actual revenue and expenses should be compared to budgeted amounts each month and reported to and reviewed by the Trustees. The Trustees should determine the reasons why actual expenditures exceeded or were less than budgeted expenditures by making inquiries to management about the reasons. Additionally, the Trustees should compare their actual cash balances to budgeted cash balances at the end of each month. When actual cash balances are below budgeted cash balances, the Township should look for ways to increase revenues and/or decrease expenditures budgeted in the upcoming months so as to achieve the budgeted cash balance.

There was no documentation to indicate that Trustees use financial information to monitor the financial activity of the Township. The lack of financing information provided to the Trustees for review each month hampers the Trustees' ability to effectively monitor the financial activity and position of the Township. For each regular meeting, the Fiscal Officer should provide a detailed budget and financial statements, lists of investments, cash balances and checks paid.

The Trustees should carefully review financial information and make appropriate inquiries to help determine the continued integrity of financial information. This information also provides important data necessary to manage the Township. This information can help answer questions such as the following:

**Brush Creek Township**  
**Scioto County**  
*Schedule of Findings and Responses*  
*For the Years Ended December 31, 2011 and 2010*

---

**Finding Number 2011-2 (Continued)**

**Material Weakness – Financial Monitoring (Continued)**

Inquiries relevant to overall Township operations:

- Are current receipts sufficient to cover expenditures?
- Are expenditures in line with prior year costs?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted?
- Are anticipated receipts being timely received?
- Is the Township maximizing its return on invested cash balances?
- Is the Township able to achieve the financial goals as set by the original or amended budgets?

In order to effectively monitor the financial activity of the Township, the Trustees should review and accept/approve the monthly financial information provided by the Fiscal Officer. The review of this information should be noted in the minutes of the meetings of the Trustees.

**Township Response:**

The Township is working to correct these issues.

**Finding Number 2011-3**

**Noncompliance – Prior Encumbrance of Funds**

Ohio Revised Code Section 5705.41(D) states that No orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. The statute provides the following exceptions to this basic requirement:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$3,000 for political subdivisions other than counties, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

The Township had disbursements not certified at the time of commitment in 2010 and 2011 without evidence that the Township followed the aforementioned exceptions. There were also several instances where a PO was not issued.

The Township should implement additional monitoring procedures to ensure all disbursements are authorized by a purchase order and are in compliance with ORC 5705.41(D).

**Township Response:**

The Township is working to correct these issues.

**Brush Creek Township**  
**Scioto County**  
*Schedule of Findings and Responses*  
*For the Years Ended December 31, 2011 and 2010*

---

**Finding Number 2011-4**

**Noncompliance – Trustee Salaries**

Ohio Revised Code Section 505.24 require that for salaries not paid from the general fund, OAG Opinion 2004-036 requires trustees to establish administrative procedures to document the proportionate amount chargeable to restricted township funds based on the kinds of services rendered. The “administrative procedures” can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service performed, in a manner similar to trustees paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from the restricted funds. The Township paid a portion of Township Trustees’ salaries from the General Fund while the remainder was paid from the Gasoline Tax and the Motor Vehicle Funds. Trustees’ timesheets were in part vague and the Fiscal Officer failed to allocate salaries according to Trustees’ timesheets. We recommend the Board of Township Trustees maintain detailed timesheets to document all time spent on Township business and the type of service performed in order to be paid from Township funds other than the General Fund.

**Township Response:**

The Township is working to correct these issues.

**Finding Number 2011-5**

**Noncompliance – Expenditures in Excess of Appropriations**

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. The Township had expenditures in excess of appropriations in 2010 and 2011. The Township should implement the appropriate procedures, such as periodic comparisons of expenditures to appropriations, to ensure that expenditures are limited to authorized appropriated amounts.

**Township Response:**

The Township is working to correct these issues.



# Dave Yost • Auditor of State

**BRUSH CREEK TOWNSHIP**

**SCIOTO 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  
OCTOBER 18, 2012**