



**Auditor of State
Betty Montgomery**



Mary Taylor, CPA
Auditor of State

January 8, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

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**BRUSH CREEK TOWNSHIP
JEFFERSON COUNTY**

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**Auditor of State
Betty Montgomery**

Brush Creek Township
Jefferson County
3729 Township Highway 62
Hammondsville, Ohio 43930

To the Township Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

October 30, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Brush Creek Township
Jefferson County
3729 Township Highway 62
Hammondsville, Ohio 43930

To the Township Trustees:

We have audited the accompanying financial statements of Brush Creek Township, Jefferson County, (the Township) as of and for the years ended December 31, 2005 and 2004. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2004 and 2005. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, 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, 2005 and 2004 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, 2005 and 2004, 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 Brush Creek Township, Jefferson County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2006, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

October 30, 2006

BRUSH CREEK TOWNSHIP
JEFFERSON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$5,871	\$19,575		\$25,446
Intergovernmental	27,441	92,231	\$134,522	254,194
Earnings on Investments	36	83		119
Other Revenue	9,568	100		9,668
Total Cash Receipts	<u>42,916</u>	<u>111,989</u>	<u>134,522</u>	<u>289,427</u>
Cash Disbursements:				
Current:				
General Government	35,965			35,965
Public Safety		5,501		5,501
Public Works	1,014	93,027		94,041
Health	1,087			1,087
Debt Service:				
Redemption of Principal	4,940			4,940
Interest and Fiscal Charges	1,186			1,186
Capital Outlay			113,527	113,527
Total Cash Disbursements	<u>44,192</u>	<u>98,528</u>	<u>113,527</u>	<u>256,247</u>
Total Receipts Over/(Under) Disbursements	<u>(1,276)</u>	<u>13,461</u>	<u>20,995</u>	<u>33,180</u>
Fund Cash Balances, January 1	<u>10,887</u>	<u>23,729</u>		<u>34,616</u>
Fund Cash Balances, December 31	<u>\$9,611</u>	<u>\$37,190</u>	<u>\$20,995</u>	<u>\$67,796</u>

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

**BRUSH CREEK TOWNSHIP
JEFFERSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$5,743	\$19,105		\$24,848
Intergovernmental	27,100	89,106		116,206
Earnings on Investments		454		454
Other Revenue	5,398			5,398
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	38,241	108,665		146,906
Cash Disbursements:				
Current:				
General Government	45,310			45,310
Public Safety		5,464		5,464
Public Works	893	103,279		104,172
Health	1,054			1,054
Other		20		20
Debt Service:				
Redemption of Principal	5,351			5,351
Interest and Fiscal Charges	826			826
Capital Outlay	24,700		\$3,861	28,561
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	78,134	108,763	3,861	190,758
Total Receipts Over/(Under) Disbursements	(39,893)	(98)	(3,861)	(43,852)
Other Financing Receipts and (Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes	24,700			24,700
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	24,700			24,700
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	(15,193)	(98)	(3,861)	(19,152)
Fund Cash Balance, January 1	26,080	23,827	3,861	53,768
Fund Cash Balances, December 31	<hr/> \$10,887 <hr/>	<hr/> \$23,729 <hr/>	<hr/> 3,861 <hr/>	<hr/> \$34,616 <hr/>

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

**BRUSH CREEK TOWNSHIP
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Brush Creek Township, Jefferson 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, fire protection and emergency medical services. The Township contracts with the Volunteer Fire Departments of Irondale, Salineville, and Bergholz to provide fire protection and emergency medical services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State 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.

C. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project fund:

**BRUSH CREEK TOWNSHIP
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FEMA Fund - The Township received a grant to repair roads which were damaged during a flood.

D. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

E. 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.

F. Accumulated Leave

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

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:

	<u>2005</u>	<u>2004</u>
Demand deposits	<u>\$67,796</u>	<u>\$34,616</u>

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

**BRUSH CREEK TOWNSHIP
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$42,916	\$42,916	\$0
Special Revenue	112,005	111,989	(16)
Capital Projects	134,522	134,522	0
Total	\$289,443	\$289,427	(\$16)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$51,841	\$44,192	\$7,649
Special Revenue	126,571	98,528	28,043
Capital Projects	140,000	113,527	26,473
Total	\$318,412	\$256,247	\$62,165

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$62,941	\$62,941	\$0
Special Revenue	108,665	108,665	0
Capital Projects	0	0	0
Total	\$171,606	\$171,606	\$0

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$59,474	\$78,134	(\$18,660)
Special Revenue	114,413	108,763	5,650
Capital Projects	3,861	3,861	0
Total	\$177,748	\$190,758	(\$13,010)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund and the Gas Tax Fund by \$18,660 and \$9,149, respectively, for the year ended December 31, 2004. Also contrary to Ohio law, appropriations exceeded estimated resources in the Motor Vehicle License Fund by \$3,277 at December 31, 2005 and \$4,821 at December 31, 2004.

**BRUSH CREEK TOWNSHIP
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt 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.

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

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

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

5. DEBT

Debt outstanding at December 31, 2005 was as follows:

	Principal	Interest Rate
General Obligation Notes	\$19,760	5.10%

The Township issued general obligation notes to finance the purchase of a grader for Township road maintenance. The Township's taxing authority collateralized the note.

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

	General Obligation Notes
Year ending December 31:	
2006	\$5,881
2007	5,630
2008	5,381
2009	5,128
Total	\$22,020

6. RETIREMENT SYSTEMS

Township employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004 OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2005.

**BRUSH CREEK TOWNSHIP
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

7. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

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**Auditor of State
Betty Montgomery**

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

Brush Creek Township
Jefferson County
3729 Township Highway 62
Hammondsville, Ohio 43930

To the Board of Trustees:

We have audited the financial statements of the Brush Creek (the Township) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated October 30, 2006, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated October 30, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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, providing an opinion 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 and 2005-002. In a separate letter to the Township's management dated October 30, 2006, we reported other matters related to noncompliance we deemed immaterial.

Brush Creek Township
Jefferson County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the management and the Board of Trustees. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

October 30, 2006

**BRUSH CREEK TOWNSHIP
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2005-001

Noncompliance Citation

Ohio Revised Code Section 5705.39 prohibits a political subdivision from making a fund appropriation in excess of the total estimated revenue available for expenditure from that fund as certified by the budget commission on the Amended Official Certificates of Estimated Resources.

Appropriations exceeded the amount certified as available by the budget commission during 2005 in the Motor Vehicle License Fund by \$3,277 and during 2004 in the Motor Vehicle License Fund by \$4,821.

Failure to limit appropriations to the amount certified by the budget commission could result in overspending and negative cash balances. The Township should compare appropriations to estimated resources and if adequate resources are available for additional appropriations, the Township should submit an amended certificate of estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by the Board of Trustees reduce the appropriations.

FINDING NUMBER 2005-002

Noncompliance Citation

Ohio Revised Code Section 5705.41 (B) states that no subdivision or taxing authority unit is to expend money unless it has been appropriated.

In 2004, the expenditures exceeded appropriations by \$18,660 in the General Fund and by \$9,149 in the Gas Tax Fund.

Failure to properly appropriate all expenditures could result in overspending or deficit balances. The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request the Board of Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

Officials' Response

We did not receive a response to the findings presented above.

**BRUSH CREEK TOWNSHIP
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	Ohio Revised Code Section 5705.41(B) expenditures exceeded appropriations	No	Finding will be reissued as 2005-002



**Auditor of State
Betty Montgomery**

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BRUSH CREEK TOWNSHIP

JEFFERSON 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
JANUARY 11, 2007**