



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2013 and 2012
Fiscal Years Audited Under GAGAS: 2013 and 2012



Dave Yost • Auditor of State

Board of Trustees
Brushcreek Township
PO Box 1
Sinking Springs, Ohio 45172

We have reviewed the *Independent Auditor's Report* of Brushcreek Township, Highland County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2012 through December 31, 2013. 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Finding for Recovery Repaid Under Audit

During review of the Township's May 18, 2013 minutes it was noted that the Township had sold a fire truck at auction for \$1,600. The proceeds from the sale of the fire truck were paid to the Brushcreek Township Volunteer Firemen's Association (Volunteer Association).

Upon discussion with the Township, we were informed the fire truck cab and chassis had been originally purchased by the Township and the truck was built from used parts some purchased by the Volunteer Association. The truck had been titled in the name of the Township and the Township had provided insurance over the years for the truck. When the truck was auctioned the Township had thought the proceeds could have gone to the Volunteer Association.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies due but not collected is hereby issued against the Brushcreek Township Volunteer Firemen's Association in the amount of \$1,600 and in favor of the Brushcreek Township Fire Fund.

Upon discussion with the Township regarding this issue the Township met with the Volunteer Association and repayment of the \$1,600 was made by the Volunteer Association on May 12, 2014. The Township deposited these funds into the Brushcreek Township's bank account to the credit of the Township Fire fund.

Board of Trustees
Brushcreek Township
PO Box 1
Sinking Springs, Ohio 45172
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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. Brushcreek Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D" and a long, sweeping tail on the "y".

Dave Yost
Auditor of State

May 29, 2014

Brushcreek Township
Highland County
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Independent Auditor's Report

Brushcreek Township
Highland County
PO Box 1
Sinking Springs, Ohio 45172

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Brushcreek Township, Highland County, (the Township) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

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

As described in Note 1 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, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Brushcreek Township, Highland County, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Emphasis of Matter

As discussed in Note 8 to the financial statements, during 2012, the Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2014, 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.

Balestra, Harr & Scherer, CPAs
Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
March 26, 2014

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Taxes	\$ 32,989	\$ 78,372	\$ 111,361
Intergovernmental	11,750	351,100	362,850
Earnings on Investments	24	88	112
Miscellaneous	3,263	714	3,977
Total Cash Receipts	<u>48,026</u>	<u>430,274</u>	<u>478,300</u>
Cash Disbursements:			
Current:			
General Government	41,707	-	41,707
Public Safety	-	23,706	23,706
Public Works	806	90,144	90,950
Health	0	22,903	22,903
Capital Outlay	-	280,663	280,663
Debt Service:			
Redemption of Principal	-	7,983	7,983
Interest and Fiscal Charges	-	551	551
Total Cash Disbursements	<u>42,513</u>	<u>425,950</u>	<u>468,463</u>
Excess of Receipts Over/(Under) Disbursements	5,513	4,324	9,837
Other Financing Receipts (Disbursements):			
Sale of Notes	-	12,590	-
Total Other Financing Receipts (Disbursements)	<u>-</u>	<u>12,590</u>	<u>-</u>
Net Change in Fund Cash Balances	5,513	16,914	9,837
Fund Cash Balances, January 1	<u>7,119</u>	<u>59,916</u>	<u>67,035</u>
Fund Cash Balances, December 31			
Restricted	-	76,830	76,830
Unassigned (Deficit)	12,632	-	12,632
Fund Cash Balances, December 31	<u>\$ 12,632</u>	<u>\$ 76,830</u>	<u>\$ 89,462</u>

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

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Taxes	\$ 32,802	\$ 76,347	\$ 109,149
Intergovernmental	14,085	117,901	131,986
Earnings on Investments	65	237	302
Miscellaneous	26	805	831
	<u>46,978</u>	<u>195,290</u>	<u>242,268</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	47,653	-	47,653
Public Safety	1,168	27,326	28,494
Public Works	634	141,940	142,574
Health	3,627	19,555	23,182
Capital Outlay	600	51,462	52,062
Debt Service:			
Redemption of Principal	7,457	0	7,457
Interest and Fiscal Charges	1,049	0	1,049
	<u>62,188</u>	<u>240,283</u>	<u>302,471</u>
Total Cash Disbursements			
Excess of Receipts Over/(Under) Disbursements	(15,210)	(44,993)	(60,203)
Other Financing Receipts (Disbursements):			
Other Sources	-	22,066	22,066
	<u>-</u>	<u>22,066</u>	<u>22,066</u>
Total Other Financing Receipts (Disbursements)			
Net Change in Fund Cash Balances	(15,210)	(22,927)	(38,137)
Fund Cash Balances, January 1	22,329	82,843	105,172
	<u>22,329</u>	<u>82,843</u>	<u>105,172</u>
Fund Cash Balances, December 31			
Restricted	-	59,916	59,916
Unassigned (Deficit)	7,119	-	7,119
	<u>7,119</u>	<u>-</u>	<u>7,119</u>
Fund Cash Balances, December 31	<u>\$ 7,119</u>	<u>\$ 59,916</u>	<u>\$ 67,035</u>

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

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

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 Brushcreek Township, Highland County (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general government services, road maintenance, cemetery maintenance, and fire protection services.

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

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.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. The 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. Cash and Deposits

The township deposits all available funds in an interest earning checking account and certificates of deposit at a local commercial bank. All deposits are valued at cost.

D. 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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

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

Cemetery Levy Fund – This fund receives property tax money from the levy for providing cemetery maintenance.

Fire Levy Fund – This fund receives property tax money from the levy for providing fire protection services to Township residents.

The Township's expendable trust funds are used to account for money bequeath to the Township for the care and up-keep of Cedar Chapel Cemetery and Beaver's Cemetery.

E. 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. 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. The Township did not encumber all commitments required by Ohio law.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. 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.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. 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.

G. Property, Plant and Equipment

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

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

H. 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 and investments. The carrying amount of cash deposits at December 31 was as follows:

	2013	2012
Demand deposits	\$89,462	\$67,035

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

3. Budgetary Activity

Budgetary activity for the year ending December 31, 2013 and 2012 as follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 51,615	\$ 48,026	\$ (3,589)
Special Revenue	472,043	442,864	(29,179)
Total	\$ 523,658	\$ 490,890	\$ (32,768)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 55,316	\$ 42,513	\$ 12,803
Special Revenue	524,807	425,950	98,857
Total	\$ 580,123	\$ 468,463	\$ 111,660

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. Budgetary Activity (Continued)

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 49,338	\$ 46,978	\$ (2,360)
Special Revenue	234,287	217,356	(16,931)
Total	\$ 283,625	\$ 264,334	\$ (19,291)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 71,667	\$ 62,188	\$ 9,479
Special Revenue	313,913	240,283	73,630
Total	\$ 385,580	\$ 302,471	\$ 83,109

4. Property Tax

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 property owner elects to pay semiannually, the first half is due December 31. The second half payment is due to the following June 20.

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

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

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

5. Lease and Debt

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Fire Truck Note	\$ 12,590	5.90%

The Township retired a note for a Dump Truck during 2013 that was held with NCB at an interest rate of 6.75%.

In 2013, the Township issued a five year note for the local share to purchase a fire truck. The total note issuance was \$12,590 and is to be retired from the Fire fund. This note is payable in annual installments.

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

	Fire Truck Note
Year Ending December 31:	
2014	\$ 2,908
2015	2,908
2016	2,908
2017	2,908
2018	2,908
Total	\$ 14,540

6. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, 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, 2013.

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

7. 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

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2012, 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, 2012 and 2011 (the latest information available):

	<u>2012</u>	<u>2011</u>
Assets	\$ 34,771,270	\$ 35,086,165
Liabilities	<u>(9,355,082)</u>	<u>(9,718,792)</u>
Net Position	<u>\$ 25,416,188</u>	<u>\$ 25,367,373</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.9 and \$8.6 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$5,600.

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

7. 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.

<u>Township Contributions to OTARMA</u>		
2012	\$	9,573
2013		10,187

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.

8. Fund Balances

For fiscal year 2012, the Township implemented Governmental Accounting Standards Board (GASB) Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on the fund balance for the fund types are presented below for December 31, 2013:

Fund Balances	General Fund	Special Revenue Funds	Total Governmental Funds
Restricted for			
Road and Bridge Maintenance	-	32,059	32,059
Cemetery Operations	-	36,326	36,326
Fire Operations	-	8,445	8,445
Total Restricted	-	76,830	76,830
Unassigned (Deficit)	12,632	-	12,632
Total Fund Balances	\$ 12,632	\$ 76,830	\$ 89,462

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

8. Fund Balances (Continued)

The constraints placed on the fund balance for the fund types are presented below for December 31, 2012:

Fund Balances	General Fund	Special Revenue Funds	Total Governmental Funds
Restricted for			
Road and Bridge Maintenance	-	17,093	17,093
Cemetery Operations	-	33,020	33,020
Fire Operations	-	9,803	9,803
Total Restricted	-	59,916	59,916
Unassigned (Deficit)	7,119	-	7,119
Total Fund Balances	\$ 7,119	\$ 59,916	\$ 67,035

9. Compliance

Contrary to Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-02, the Township's annual financial reports contained several deficiencies.

Contrary to Ohio Revised Code Section 5705.41(D), the Township was expending money prior to it being properly encumbered.



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Brushcreek Township
Highland County
PO Box 1
Sinking Springs, Ohio 45172

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 Brushcreek Township, Highland County, (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated March 26, 2014 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit and implemented Governmental Accounting Standards Board Statement No.54.

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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements.

Board of Trustees
Brushcreek Township, Highland County
Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Required by *Government Auditing Standards*
Page 2

We consider findings 2013-001 and 2013-002 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-004 described in the accompanying schedule of findings to be a significant deficiency.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2013-002 and 2013-003.

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.

Balestra, Harr & Scherer, CPAs
Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
March 26, 2014

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

FINDING NUMBER 2013-001

Material Weakness- Financial Reporting

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

Material and immaterial misstatements were identified during the course of the audit which have not been prevented or detected by the Township's internal controls over financial reporting. Misstatements were identified in the following areas:

- Property Tax Receipts
- Intergovernmental Receipts
- Miscellaneous Receipts
- Principal and Interest Payments
- Note Proceeds
- General Government Disbursements
- Health Disbursements
- Public Safety Disbursements
- Public Works Disbursements
- Implementation of GASB 54

All of the above noted adjustments have been posted to the financial statements and the Township's accounting ledgers.

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, we recommend the Fiscal Officer review the Ohio Township Manual for guidance on the correct line item to post various receipts and expenditures of the Township.

Client Response:

The Client did not provide a response for the above finding.

FINDING NUMBER 2013-002

Material Weakness/Material Noncompliance

Per Ohio Rev. Code §117.38, cash-basis entities must file annual reports with the Auditor of State. The Auditor of State may prescribe by rule or guidelines the forms for these reports. However, if the Auditor of State has not prescribed a reporting form, the public office shall submit its report on the form used by the public office. Any public office not filing the report by the required date shall pay a penalty of \$25 for each day the report remains unfiled, not to exceed \$750. The AOS may waive these penalties, upon the filing of the past due financial report.

The report shall contain the amount of: (A) receipts, and amounts due from each source; (B) expenditures for each purpose; (C) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and (D) public debt of each taxing district, the purpose of the debt, and how the debt will be repaid.

Per Ohio Admin. Code §117-2-02(D) and (E), All local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include the following:

- (1) Cash journal, which typically contains the following information: The amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

FINDING NUMBER 2013-002 (Continued)

- (2) Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payor, purpose, receipt number, and other information required for the transactions can be recorded on this ledger.

- (3) Appropriation ledger, which may assemble and classify disbursements or expenditure/expenses into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, and any other information required may be entered in the appropriate columns.

Financial information is vital to an organization's management in its continual effort to effectively make decisions to guide the organization. It is also important for management to receive timely feedback on the reliability of financial information summarized in the financial statements, notes to the financial statements, and schedules used to make these management decisions.

The 2012 and 2013 financial reports submitted to LGS were significantly deficient.

The 2012 report contained all required amounts to be disclosed however, due to multiple errors in footing and carrying balances forward, the SR opinion unit change in fund balance is materially overstated by \$24,109.93 and the overall change in fund balance is materially overstated by \$58,594.03 The Principal outstanding on the 2008 dump truck is also overstated by \$762.

The 2013 report contained all required amounts to be disclosed however, due to multiple errors in footing and carrying balances forward, the General Fund change in fund balance is understated by \$2,250, the SR opinion unit change in fund balance is materially understated by \$15,323.31 and the overall change in fund balance is materially understated by \$22,089.79 The Principal outstanding on the 2008 dump truck is also overstated by \$762. The Gas tax fund was immaterially misstated from what was reported in the Cash Journal and the PPT funds were not recorded in the ending 12/31 balances in the Cash Journal. Furthermore, there were multiple instances in which a receipt or expenditure was not properly recorded in both the Cash Journal and respective ledger (Receipt or Appropriation). We also noted that fund balances in the Cash Journal were not properly carried forward in 2013 when the township switched from NCB to Merchants bank.

Failure to implement controls over the financial accounting process has resulted in the Township's records being inaccurate. Financial reports are misleading and inaccurate. The township's decisions on financial matters rely on accurate financial reporting. Additional audit costs can be incurred due to additional time spent to ensure financial statements are not materially misstated.

The Township should implement application and monitoring controls to ensure that financial statement and accounting ledger balances are accurately and completely stated.

Client Response:

The Client did not provide a response for the above finding.

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

FINDING NUMBER 2013-003

Material Noncompliance

Ohio Revised Code section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Section 5705.41(D)(1) and 5705.41(D)(3) , respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – if the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("Now"), that 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 Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment or ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance 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 Township.

2. Blanket Certificate – Fiscal Officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Township's Fiscal Officer did not certify the availability of funds prior to making commitments during 2013 and 2012. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

The Township's Fiscal Officer should certify the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language Ohio Rev. Code section 5705.41(D) requires to authorize disbursements.

Client Response:

The Client did not provide a response for the above finding.

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

FINDING NUMBER 2013-004

Significant Deficiency- Segregation of Duties

Proper internal control procedures require that various duties be segregated among different employees. The duties of collecting, recording, disposing, reconciling, and disbursing of monies should be separated. Segregation of duties helps prevent and detect errors made and helps to correct errors in a timely fashion.

There is insufficient segregation of duties in the offices of the Brushcreek Township, Highland County. Specifically, we noted that the same employee posts accounting entries, prepares checks, reconciles bank accounts, prepares and makes deposits, and opens the mail for the Township.

The Township has a limited number of employees, making it impossible to achieve a proper segregation of duties. Without proper segregation of duties, the possibility of discrepancies occurring without being detected, or improper use of funds, is greatly increased.

Since there are a limited number of employees, there appears to be a limitation on what steps could be taken to properly segregate duties. The Trustees should take special care to review financial documents for possible discrepancies. We recommend that the Trustees review and sign all monthly financial reports.

Client Response:

The Client did not provide a response for the above finding.



Dave Yost • Auditor of State

BRUSHCREEK TOWNSHIP

HIGHLAND 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
JUNE 10, 2014**