

Brush Creek Township  
Scioto County  
Regular Audit  
For the Years Ended December 31, 2017 and 2016



Millhuff-Stang, CPA, Inc.  
1428 Gallia Street / Portsmouth, Ohio 45662 / Phone: 740.876.8548  
45 West Second Street, Suite D / Chillicothe, Ohio 45601 / Phone: 740.851.4978  
Fax: 888.876.8549

[natalie@millhuffstangcpa.com](mailto:natalie@millhuffstangcpa.com) / [roush@millhuffstangcpa.com](mailto:roush@millhuffstangcpa.com)  
[www.millhuffstangcpa.com](http://www.millhuffstangcpa.com)





# Dave Yost • Auditor of State

Board of Trustees  
Brush Creek Township  
P.O. Box 28  
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, 2016 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. 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 19, 2018

**This page intentionally left blank.**

**Brush Creek Township**  
**Scioto County**  
*Table of Contents*  
*For the Years Ended December 31, 2017 and 2016*

---

Title	Page
Independent Auditor’s Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2017 .....	3
Notes to the Financial Statements - For the Year Ended December 31, 2017 .....	4
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2016 .....	10
Notes to the Financial Statements – For the Year Ended December 31, 2016.....	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> .....	17
Schedule of Findings and Responses .....	19
Schedule of Prior Audit Findings.....	20

**This page intentionally left blank.**

**Independent Auditor's Report**

Board of Trustees  
Brush Creek Township  
Scioto County  
P.O. Box 28  
Otway, Ohio 45657

***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Brush Creek Township, Scioto County, (the Township) as of and for the years ended December 31, 2017 and 2016.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

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

As described in Note 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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2017 and 2016, or the respective changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Brush Creek Township, Scioto County, as of December 31, 2017 and 2016, and 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2018, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The 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 the effectiveness of the Township's 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.



Natalie Millhuff-Stang, CPA, CITP  
President/Owner  
Millhuff-Stang, CPA, Inc.  
Portsmouth, Ohio  
August 24, 2018



**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, 2017*

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$27,713	\$62,668	\$90,381
Intergovernmental	22,324	101,147	123,471
Earnings on Investments	12	8	20
Miscellaneous	192	4,124	4,316
<b>Total Cash Receipts</b>	<b>50,241</b>	<b>167,947</b>	<b>218,188</b>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
General Government	30,069	705	30,774
Public Safety	0	46,339	46,339
Public Works	0	100,971	100,971
Health	8,930	9,900	18,830
Conservation and Recreation	0	3,100	3,100
Capital Outlay	0	14,349	14,349
Other	1,063	0	1,063
<b>Debt Service:</b>			
Redemption of Principal	5,216	0	5,216
Interest and Other Fiscal Charges	417	0	417
<b>Total Cash Disbursements</b>	<b>45,695</b>	<b>175,364</b>	<b>221,059</b>
<b>Total Cash Receipts Over (Under) Cash Disbursements</b>	<b>4,546</b>	<b>(7,417)</b>	<b>(2,871)</b>
<b>Fund Cash Balances, January 1</b>	<b>9,159</b>	<b>89,419</b>	<b>98,578</b>
<b>Fund Cash Balances, December 31:</b>			
<b>Restricted for:</b>			
Road and Bridge Maintenance and Repair	0	37,708	37,708
Cemetery	0	9,417	9,417
Fire Protection	0	10,361	10,361
Parks and Recreation	0	3,472	3,472
Emergency Management	0	6,511	6,511
Committed to Road & Bridge	0	14,533	14,533
Assigned to Future Purchases	582	0	582
Unassigned	13,123	0	13,123
<b>Fund Cash Balances, December 31</b>	<b>\$13,705</b>	<b>\$82,002</b>	<b>\$95,707</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 Year Ended December 31, 2017*

---

**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 Ambulance District to provide ambulance services. The Scioto Ambulance 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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

**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 Funds:

*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 Year Ended December 31, 2017*

---

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

*Fire Levy Fund* - This fund receives property tax money to provide for fire protection services within the Township.

**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 unencumbered 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 2017 budgetary activity appears in Note 3.

**Fund Balances**

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 amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

*Assigned* – Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the General Fund report all fund balances as *assigned* unless they are restricted or committed. In the General Fund, *assigned* amounts represent intended uses established by 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 Year Ended December 31, 2017*

---

**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:

Demand Deposits	2017
	\$95,707

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

**Note 3 – Budgetary Activity**

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

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$35,910	\$50,241	\$14,331
Special Revenue	161,311	167,947	6,636
Total	\$197,221	\$218,188	\$20,967

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$49,898	\$46,277	\$3,621
Special Revenue	226,009	176,433	49,576
Total	\$275,907	\$222,710	\$53,197

**Brush Creek Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

**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.

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, 2017 was as follows:

	Principal	Interest Rate
Land Bonds	\$5,455	4.5%
Total	\$5,455	

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.

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

Year Ending December 31:	Land Bonds
2018	\$5,639
Total	\$5,639

**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 include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2017 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, 2017.

**Brush Creek Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

**Note 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**

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2017, 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, 2017:

	<u>2017</u>
Assets	\$40,010,732
Liabilities	<u>(8,675,465)</u>
Net Position	<u>\$31,335,267</u>

At December 31, 2017, the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township’s share of these unpaid claims collectible in future years is approximately \$2,000.

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.

Contributions to OTARMA
<hr/>
\$5,503

**Brush Creek Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

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

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

**Note 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 Ambulance District. The Ambulance 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 Ambulance District Board. The Ambulance 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 Ambulance District by the County. The Township does not assist in funding the Ambulance District.

**Note 10 – Compliance**

The Township had appropriations in excess of estimated resources in the General fund contrary to Ohio Revised Code Section 5705.39.

**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, 2016*

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$29,334	\$64,676	\$94,010
Intergovernmental	23,465	94,624	118,089
Earnings on Investments	13	16	29
Miscellaneous	970	1,196	2,166
<b>Total Cash Receipts</b>	<b>53,782</b>	<b>160,512</b>	<b>214,294</b>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
General Government	37,077	240	37,317
Public Safety	0	45,220	45,220
Public Works	0	146,565	146,565
Health	9,790	8,503	18,293
Conservation/Recreation	100	2,542	2,642
Capital Outlay	0	20,800	20,800
Other	541	0	541
<b>Debt Service:</b>			
Redemption of Principal	4,987	0	4,987
Interest and Other Fiscal Charges	644	0	644
<b>Total Cash Disbursements</b>	<b>53,139</b>	<b>223,870</b>	<b>277,009</b>
<b>Total Cash Receipts Over (Under) Cash Disbursements</b>	<b>643</b>	<b>(63,358)</b>	<b>(62,715)</b>
<b>Other Financing Receipts (Disbursements):</b>			
Transfer In	0	9,421	9,421
Transfer Out	(9,421)	0	(9,421)
<b>Total Other Financing Receipts (Disbursements)</b>	<b>(9,421)</b>	<b>9,421</b>	<b>0</b>
<b>Total Cash Receipts and Other Financing Receipts</b>			
<b>Under Cash Disbursements and Other Financing Disbursements</b>	<b>(8,778)</b>	<b>(53,937)</b>	<b>(62,715)</b>
<b>Fund Cash Balances, January 1</b>	<b>17,937</b>	<b>143,356</b>	<b>161,293</b>
<b>Restricted for:</b>			
Road and Bridge Maintenance and Repair	0	40,964	40,964
Cemetery	0	10,484	10,484
Fire Protection	0	13,567	13,567
Parks and Recreation	0	3,467	3,467
Emergency Management	0	6,511	6,511
Committed to Road & Bridge	0	14,426	14,426
Assigned to Future Purchases	772	0	772
Unassigned	8,387	0	8,387
<b>Fund Cash Balances, December 31</b>	<b>\$9,159</b>	<b>\$89,419</b>	<b>\$98,578</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 Year Ended December 31, 2016*

---

**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 Ambulance District to provide ambulance services. The Scioto Ambulance 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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

**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 Funds:

*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 Year Ended December 31, 2016*

---

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

*Fire Levy Fund* - This fund receives property tax money to provide for fire protection services within the Township.

**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 unencumbered 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 2016 budgetary activity appears in Note 3.

**Fund Balances**

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 amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

*Assigned* – Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the General Fund report all fund balances as *assigned* unless they are restricted or committed. In the General Fund, *assigned* amounts represent intended uses established by 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 Year Ended December 31, 2016*

---

**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:

Demand Deposits	2016
	\$98,578

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

**Note 3 – Budgetary Activity**

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

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$44,862	\$53,782	\$8,920
Special Revenue	179,349	169,933	(9,416)
Total	\$224,211	\$223,715	(\$496)

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$61,945	\$63,332	(\$1,387)
Special Revenue	260,183	226,127	34,056
Total	\$322,128	\$289,459	\$32,669

**Brush Creek Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

---

**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.

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, 2016 was as follows:

	Principal	Interest Rate
Land Bonds	\$10,671	4.5%
Total	\$10,671	

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.

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

Year Ending December 31:	Land Bonds
2017	\$5,639
2018	5,639
Total	\$11,278

**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 include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2016 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, 2016.

**Brush Creek Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

---

**Note 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**

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

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

**Financial Position**

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

	<u>2016</u>
Assets	\$38,473,283
Liabilities	<u>(8,244,140)</u>
Net Position	<u>\$30,299,143</u>

At December 31, 2016, the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township’s share of these unpaid claims collectible in future years is approximately \$2,000.

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.

Contributions to OTARMA
<hr/>
\$5,209

**Brush Creek Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

---

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

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

**Note 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 Ambulance District. The Ambulance 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 Ambulance District Board. The Ambulance 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 Ambulance District by the County. The Township does not assist in funding the Ambulance District.

**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***

Independent Auditor's Report

Board of Trustees  
Brush Creek Township  
Scioto County  
P.O. Box 28  
Otway, Ohio 45657

We have audited 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, the financial statements of Brush Creek Township, Scioto County, (the Township) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated August 24, 2018, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2017-001 and 2017-002 that we consider to be material weaknesses.

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 from 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 an instance of noncompliance or another matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2017-003.

### **Township's Responses to Findings**

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Township's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA, CITP  
President/Owner  
Millhuff-Stang, CPA, Inc.  
Portsmouth, Ohio  
August 24, 2018



**Brush Creek Township**  
**Scioto County**  
*Schedule of Findings and Responses*  
*For the Years Ended December 31, 2017 and 2016*

---

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

**Finding Number 2017-001**

**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 debt payments for 2016 and 2017. Debt was also adjusted as payments were recorded in the incorrect fund for both 2016 and 2017. Further, beginning balances were incorrect and required adjustment for both General and Special Revenue funds. 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. The Township should implement additional monitoring procedures to ensure financial transactions are properly recorded.

**Township Response:**

The Township is working to correct these issues.

**Finding Number 2017-002**

**Material Weakness – Budgetary Information Within UAN**

Accurate budgetary information within the Township’s accounting system is pertinent to ensure that the Township has accurate and complete information for decision-making processes. Budgetary information entered into the accounting system did not match amounts per the amended certificates and appropriations for General and Special Revenue funds for 2016 and 2017. Failure to properly document authorized budgetary amounts within the UAN system does not allow for proper monitoring of budget to actual figures. The Township should implement the appropriate procedures to ensure that only authorized budgetary amounts are included in UAN.

**Township Response:**

The Township is working to correct these issues.

**Finding Number 2017-003**

**Noncompliance – Appropriations in Excess of Estimated Resources**

Ohio Revised Code Section 5705.39 states that total appropriations from each fund shall not exceed the total estimated resources. The Township’s appropriations exceeded estimated resources in the General fund in 2017. The Township should implement the appropriate procedures ensure that appropriations do not exceed the amount of estimated resources.

**Township Response:**

The Township is working to correct these issues.

**Brush Creek Township**  
**Scioto County**  
*Schedule of Prior Audit Findings*  
*For the Years Ended December 31, 2017 and 2016*

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
Finding 2015-001	Material Weakness – Financial Reporting	No	Reissued as Finding 2017-001
Finding 2015-002	Material Weakness – Budgetary Information Within UAN	No	Reissued as Finding 2017-002
Finding 2015-003	Noncompliance – ORC Section 5705.39 - Appropriations in Excess of Estimated Resources	No	Reissued as Finding 2017-003



# 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  
NOVEMBER 8, 2018**