



OHIO AUDITOR OF STATE
KEITH FABER



**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY
DECEMBER 31, 2021 AND 2020**

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OHIO AUDITOR OF STATE KEITH FABER



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REPORT ON THE FINANCIAL STATEMENTS, INTERNAL CONTROL, AND COMPLIANCE

Brushcreek Township
Highland County
7 North Chestnut Street
Sinking Spring, Ohio 45172

To the Board of Trustees:

We have selectively tested certain accounts, financial records, reports and other documentation of the Brushcreek Township, Highland County, (the Township), as of and for the years ended December 31, 2021 and 2020. These procedures were designed to satisfy the audit requirements of Ohio Rev. Code § 117.11, and Ohio Admin. Code 117-4-02. Our engagement was not designed as a basis to opine on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinions on these matters.

Internal Control Over Financial Reporting

Certain of the aforementioned tests relate to internal control over financial reporting. The results of those tests may allow us to identify internal control deficiencies. An internal control deficiency 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, whether caused by error or fraud.

Our internal control tests were not designed to identify all internal control deficiencies that might exist. Therefore, unidentified weaknesses may exist. However, we consider findings 2021-003 through 2021-005, 2021-007, 2021-008, 2021-012, 2021-016, 2021-019, and 2021-022 reported in the Schedule of Findings to be internal control deficiencies management and those charged with governance should address.

Compliance and Other Matters

We also tested compliance with certain provisions of laws, regulations, contracts, and grant agreements, applicable to the Township, noncompliance with which could directly and materially affect the determination of financial statement amounts. The results of our tests disclosed instances of noncompliance we believe could directly and materially affect the determination of financial statement amounts that we reported in the Schedule of Findings as item 2021-001 through 2021-003, 2021-005, 2021-006, 2021-009 through 2021-011, 2021-013 through 2021-015, and 2021-017 through 2021-021.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio
November 21, 2023

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**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property Taxes	\$ 39,652	\$ 91,617	\$ 131,269
Intergovernmental	32,630	167,240	199,870
Earnings on Investments	21	146	167
Miscellaneous	5,633	2,630	8,263
<i>Total Cash Receipts</i>	77,936	261,633	339,569
Cash Disbursements			
Current:			
General Government	63,566	-	63,566
Public Safety	-	33,427	33,427
Public Works	1,312	131,266	132,578
Health	-	35,485	35,485
Debt Service:			
Principal Retirement	3,086	3,111	6,197
Interest and Fiscal Charges	914	921	1,835
<i>Total Cash Disbursements</i>	68,878	204,210	273,088
<i>Net Change in Fund Cash Balances</i>	9,058	57,423	66,481
<i>Fund Cash Balances, January 1</i>	20,344	110,206	130,550
<i>Fund Cash Balances, December 31</i>	\$ 29,402	\$ 167,629	\$ 197,031

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

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BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the 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 and bridge maintenance, cemetery maintenance, and fire protection services.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Township participates in a public entity risk pool. Note 7 to the financial statements provide additional information for this entity. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue 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:

Gas Tax Fund The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

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

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

Cemetery Bequest Fund The cemetery bequest fund accounts for money bequeathed to the Township for the care and up-keep of Cedar Chapel Cemetery and Beaver Cemetery.

BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

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 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

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

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

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

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

A summary of 2021 budgetary activity appears in Note 4.

Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township 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
For the Year Ended December 31, 2021

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Township and the nonspendable portion of the corpus in permanent funds.

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*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

Note 3 – Compliance

Contrary to Ohio law, the Township did not approve appropriations or a Certificate of Estimated Resources for the fiscal year. Also, contrary to Ohio law, the Township had expenditures exceeding appropriations in amount of \$68,878 and \$204,210 in the General and Special Revenue funds, respectively.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2021 follows:

BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$77,936	\$77,936
Special Revenue	0	261,633	261,633
Total	\$0	\$339,569	\$339,569

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$68,878	(\$68,878)
Special Revenue	0	204,210	(204,210)
Total	\$0	\$273,088	(\$273,088)

Note 5 – Deposits and Investments

To improve cash management, cash received by the Township is pooled. Monies for all fund are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Township’s deposit accounts are as follows:

	2021
<i>Cash Management Pool:</i>	
Demand deposits	\$193,253
Certificates of deposit	3,778
Total deposits	197,031
<i>Total carrying amount of deposits held in the Pool</i>	\$197,031

The Township does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings. At December 31, 2021, the Township is holding \$0 in unremitted employee payroll withholdings.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 6 – 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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State

BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

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 7 – Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Risk Pool Membership

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	2021
Cash and investments	\$34,880,599
Actuarial liabilities	\$ 10,601,444

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2021.

Note 9 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2021.

Note 10 – Debt

Debt outstanding at December 31, 2021, was as follows:

	Principal	Interest Rate
Tractor Note	\$28,285	5.25%
Total	\$28,285	

In November 2018, the Township purchased a John Deere tractor and attachments. A portion of that purchase was financed with a note through Merchants National Bank. The total note issuance was \$47,203. This note is payable in annual installments over a seven-year period at a fixed rate of interest.

Amortization

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

Year Ending December 31:	Tractor Note
2022	8,032
2023	8,032
2024	8,031
2025	8,031
Total	\$32,126

Note 11 – Fund Balances

Included in fund balance are amounts the Township cannot spend, including the balance of unclaimed monies, which cannot be spent for five years and the unexpendable corpus of the permanent funds.

BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilities effective cash planning and control. At year end the balances of these amounts were zero.

The fund balance of special revenue funds is either restricted or committed. These restricted and committed amounts in the special revenue funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 12 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency continues. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township. In addition, the impact on the Township's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property Taxes	\$ 41,896	\$ 91,984	\$ 133,880
Intergovernmental	22,486	161,928	184,414
Earnings on Investments	16	255	271
Miscellaneous	7,027	4,449	11,476
<i>Total Cash Receipts</i>	<i>71,425</i>	<i>258,616</i>	<i>330,041</i>
Cash Disbursements			
Current:			
General Government	56,865	-	56,865
Public Safety	-	27,494	27,494
Public Works	5,712	164,814	170,526
Health	-	37,267	37,267
Debt Service:			
Principal Retirement	2,928	2,951	5,879
Interest and Fiscal Charges	1,072	1,080	2,152
<i>Total Cash Disbursements</i>	<i>66,577</i>	<i>233,606</i>	<i>300,183</i>
<i>Net Change in Fund Cash Balances</i>	<i>4,848</i>	<i>25,010</i>	<i>29,858</i>
<i>Fund Cash Balances, January 1</i>	<i>15,496</i>	<i>85,196</i>	<i>100,692</i>
<i>Fund Cash Balances, December 31</i>	<i>\$ 20,344</i>	<i>\$ 110,206</i>	<i>\$ 130,550</i>

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

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BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the 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 and bridge maintenance, cemetery maintenance, and fire protection services.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Township participates in a public entity risk pool. Note 7 to the financial statements provide additional information for this entity. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

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

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

Cemetery Bequest Fund The cemetery bequest fund accounts for money bequeathed to the Township for the care and up-keep of Cedar Chapel Cemetery and Beaver Cemetery.

BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

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 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

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

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

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

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

A summary of 2020 budgetary activity appears in Note 4.

Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township 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
For the Year Ended December 31, 2020

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Township and the nonspendable portion of the corpus in permanent funds.

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*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

Note 3 – Compliance

Contrary to Ohio law, the Township did not approve appropriations for the fiscal year. Also, contrary to Ohio law, the Township had expenditures exceeding appropriations in amount of \$66,577 and \$233,606 in the General and Special Revenue funds, respectively.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2020 follows:

BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$58,578	\$71,425	\$12,847
Special Revenue	252,373	258,616	6,243
Total	\$310,951	\$330,041	\$19,090

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$66,577	(\$66,577)
Special Revenue	0	233,606	(233,606)
Total	\$0	\$300,183	(\$300,183)

Note 5 – Deposits and Investments

To improve cash management, cash received by the Township is pooled. Monies for all fund are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Township's deposit accounts are as follows:

	2020
<i>Cash Management Pool:</i>	
Demand deposits	\$126,855
Certificates of deposit	3,695
Total deposits	130,550
<i>Total carrying amount of deposits held in the Pool</i>	\$130,550

The Township does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings. At December 31, 2020, the Township is holding \$0 in unremitted employee payroll withholdings.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 6 – 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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property

BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

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 7 – Risk Management

Workers’ Compensation

Workers’ Compensation coverage is provided by the State of Ohio. The Township pays the State Workers’ Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Risk Pool Membership

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township’s policy. The Pool covers the following risks:

- General liability and casualty
- Public official’s liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	2020
Cash and investments	\$36,348,066
Actuarial liabilities	\$ 10,894,146

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Township employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2020.

BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

Note 9 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2020.

Note 10 – Debt

Debt outstanding at December 31, 2020, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Tractor Note	\$34,467	5.25%
Total	<u>\$34,467</u>	

In November 2018, the Township purchased a John Deere tractor and attachments. A portion of that purchase was financed with a note through Merchants National Bank. The total note issuance was \$47,203. This note is payable in annual installments over a seven-year period at a fixed rate of interest.

Amortization

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

<u>Year Ending</u> <u>December 31:</u>	<u>Tractor Note</u>
2021	\$8,032
2022	8,032
2023	8,032
2024	8,031
2025	8,031
Total	<u>\$40,158</u>

Note 11 – Fund Balances

Included in fund balance are amounts the Township cannot spend, including the balance of unclaimed monies, which cannot be spent for five years and the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilities effective cash planning and control. At year end the balances of these amounts were zero.

BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

The fund balance of special revenue funds is either restricted or committed. These restricted and committed amounts in the special revenue funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 12 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township. In addition, the impact on the Township's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2021 AND 2020**

Finding Number 2021-001

Noncompliance

Ohio Rev. Code 505.24(A)(2) states "In townships having a budget of more than two hundred fifty thousand but not more than five hundred thousand dollars, forty-six dollars and eighty cents per day for not more than two hundred days;" and **Ohio Rev. Code 507.24(B)** states "In calendar year 2019 and in each calendar year thereafter through calendar year 2028, the amounts paid as specified in division (A) of this section shall be increased by one and three-quarters per cent."

Brushcreek Township's budget in 2021 was between \$250,000.01 and \$500,000 (inclusive) thus the Trustees with terms beginning before December 27, 2018 were to be paid \$46.80 for 200 days, for a total of \$9,360 annually and those after at \$48.45 for 2020 for a total of \$9,690 and \$49.30 for 2021 for a total of \$9,860.

The Township's Fiscal Officer underpaid two Trustees. One was underpaid \$151 due to miscalculation of days worked in January and another Trustee, appointed in 2021, was not paid the 2021 rate resulting in a \$93 underpayment.

The Township Fiscal Officer should determine the Township Trustee compensation by comparing the township budget to the guidance from the Ohio Revised Code to help ensure the correct salary is being paid to Township officials. Failure to do so could cause an underpayment or over payment in paid salaries.

Officials' Response:

The Officials did not respond to this finding.

Finding Number 2021-002

Noncompliance and Finding For Recovery

Ohio Rev. Code § 5747.07 requires an employing government to remit taxes which it withheld pursuant to Ohio Rev. Code § 5747.06 (including the state payroll tax) to the appropriate authority. It also requires the employing government to report compensation paid and taxes withheld to the tax commissioner and to each of its own employees by January 31 of each year.

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

The Township paid a late fee of \$509 for late payments of fiscal year 2019 payroll taxes to the Ohio Department of Taxation in 2021. The payment of a late fee is not a proper public purpose.

Under Ohio law, public officials are strictly liable for all public money received or collected by them or their subordinates under color of law. Ohio Rev. Code § 9.39; *Cordray v. Internatl. Preparatory School*, 128 Ohio St.3d 50 (2010).

**Finding Number 2021-002
(Continued)**

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Betty McElwee, Former Fiscal Officer, and the Township's employee dishonesty coverage carrier, Travelers Casualty and Surety Company of America, jointly and severally, in the amount of \$509, and in favor of the General Fund. The Fiscal Officer should remit payment in accordance with applicable law and file the required reports to avoid penalties and interest.

Officials' Response:

The Officials did not respond to this finding.

Finding Number 2021-003

Internal Control Deficiency and Noncompliance

Ohio Rev. Code § 505.24(C) sets forth the method by which township trustees' compensation should be allocated. By summary, Ohio Revised Code § 505.24(C) permits trustees to receive per diem payments or annual salaries if voted upon unanimously by the township board of trustees.

If using the annual salary compensation method, the amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in Ohio Revised Code § 505.24(C), and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution. Each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed.

Due to deficiencies in the Township's monitoring and review process, the following conditions were noted during 2020:

- The Fiscal Officer, Angela Crum, did not complete time certifications for nine of the nine payrolls, therefore, all gross salaries, and related employer contributions (OPERS, Medicare, and insurance reimbursements) should have been paid from the General Fund.
- The prior Fiscal Officer, Betty McElwee, did not complete time certifications for one of the three payrolls, therefore, all gross salaries, and related employer contributions (OPERS, Medicare, and insurance reimbursements) should have been paid from the General Fund.
- The Trustee, Danny McBee, did not complete time certifications for two of the 12 payrolls, therefore, all gross salaries, and related employer contributions (OPERS, Medicare, and insurance reimbursements) should have been paid from the General Fund.

The monthly time certifications that were completed for the former Fiscal Officer and Trustees indicated that 50% of the time was spent on General Fund activities and 50% on Road and Bridge Tax Fund activities; however, the salaries were paid from the General Fund at 50% and the Gasoline Tax Fund at 50%. Additionally, the related employer contributions (OPERS, Medicare, and insurance reimbursements) paid did not follow the payroll allocation. Eight of 12 monthly time certifications for Trustee, Danny McBee, indicated that 100% of his time was spent on Road and Bridge Tax Fund activities; however, the salaries were allocated 50% to the General Fund and 50% to the Gasoline Tax Fund. Additionally, the related employer contributions (OPERS, Medicare, and insurance reimbursements) paid did not follow the payroll allocation.

**Finding Number 2021-003
(Continued)**

Due to deficiencies in the Township's monitoring and review process, the following conditions were noted during 2021:

- The Fiscal Officer, Angela Crum, did not complete time certifications for 12 of the 12 payrolls, therefore, all gross salaries, and related employer contributions (OPERS, Medicare, and insurance reimbursements) should have been paid from the General Fund.
- The Trustee, Danny McBee, did not complete a time certification for one payroll, therefore, all gross salaries, and related employer contributions (OPERS, Medicare, and insurance reimbursements) should have been paid from the General Fund.
- The Trustee, David Cruea, did not complete time certifications for one of the ten payrolls, therefore, all gross salaries, and related employer contributions (OPERS, Medicare, and insurance reimbursements) should have been paid from the General Fund.

The monthly time certifications that were completed for the Trustees indicated that 50% of the time was spent on General Fund activities and 50% on Road and Bridge Tax Fund activities; however, the salaries were allocated 50% to the General Fund and 50% to the Gasoline Tax Fund. Additionally, the related employer contributions (OPERS, Medicare, and insurance reimbursements) paid did not follow the payroll allocation.

These errors resulted in misstatements to the financial statements. Management has made the following adjustments for wage and employer benefits to the accompanying financial statements and the accounting records:

- For 2020 the Gasoline Tax Public Works Cash Disbursements were overstated by \$15,618, Road and Bridge Public Works Cash Disbursements were understated in the amount of \$10,574 and the General Fund General Government Cash Disbursements were understated by \$5,044.
- For 2021 the Gasoline Tax Public Works Cash Disbursements were overstated by \$15,581, Road and Bridge Public Works Cash Disbursements were understated in the amount of \$10,049, and the General Fund General Government Cash Disbursements were understated by \$5,532.

The Township should draft, approve, and implement policies and procedures to help ensure compensation and certifications are made in accordance with Ohio Rev. Code § 505.24.

Officials' Response:

The Officials did not respond to this finding.

Finding Number 2021-004

Internal Control Deficiency

All public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance to safeguard public funds. The Township did not timely notify their public funds depository of changes in authorized government signatories.

Failure to design and implement sufficient controls over public funds increases the risk that loss or misappropriation of funds could occur and not be detected in a reasonable time period.

The Township should give notice of a change in authorized signatories to the depository on a timely basis.

**Finding Number 2021-004
(Continued)**

Officials' Response:

The Officials did not respond to this finding.

Finding Number 2021-005

Internal Control Deficiency and Noncompliance

Ohio Admin Code Section 117-2-02(A) requires public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

Ohio Admin Code 117-2-02-(C) provides that:

1. All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.
2. Purchase orders should be used to approve purchase commitments and to encumber funds against the applicable appropriation account(s), as required by section 5705.41(D) of the Revised Code. Purchase orders are not effective unless the fiscal officer's certificate is attached. The certificate should be attached at the time a commitment to purchase goods or services is made.
3. Vouchers may be used as a written order authorizing the drawing of a check or electronic fund transfer payment in payment of a lawful obligation of the public office. Each voucher shall contain the date, purchase order number, the account code, amount, approval, and any other required information. The local office should also attach the supporting documentation to the voucher, such as vendor invoices.

Ohio Admin Code Section 117-2-02(D) provides that all local public offices may maintain accounting records in a manual or computerized format. Such records should include the following:

1. Cash journal, which typically contains the amount, date, receipt number, check or electronic fund transfer number, account code, purchase order number, and all other information necessary to properly classify the transaction.
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 payor, purpose, receipt number, and other information required for such transactions can be recorded on this ledger.
3. Appropriation ledger, which assembles and classifies disbursements or expenditure/expense into separate accounts for at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check or electronic fund transfer number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, uncommitted balance of appropriations and any other information required may be entered in the appropriate columns.
4. In addition, all local public offices should maintain payroll records including a payroll journal that records, assembles and classifies by pay period the name of employee, the employee's identification number, hours worked, wage rates, pay date, withholdings by type, net pay, and other compensation paid to an employee, and the fund and account charged for the payments.

**Finding Number 2021-005
(Continued)**

The following deficiencies existed in the accounting records.

- The Township did not maintain a receipts ledger or an appropriation ledger that classifies receipts and disbursements by accounts.
- The Township did not integrate the budgetary accounts into the financial accounting system.
- The Township did not maintain a payroll ledger.
- The Township did maintain a manual cash journal, although it did not properly foot or crossfoot causing balances to be incorrect. There were multiple entries from the bank statements that were not posted to the cash journal.
- The Township did not carry the balance of the Bequest certificate of deposits on the cash journal.

Failure to properly maintain accounting records resulted in inaccurate amounts being reported by the Township on their annual financial report, as noted in finding 2021-007. Also, not having complete and accurate accounting records, including budgetary information, increases the risk of spending more than is available. Officials need to have complete and accurate accounting records in order to make informed management decisions.

The Township should implement the appropriate procedures to ensure that financial records are sufficiently maintained in order to properly present financial statements in the required format. Further, the Fiscal Officer should properly maintain the accounting records and reconcile the cash journal to the bank balances and to the receipts ledger and appropriation ledger monthly.

Using these accounting records will provide the Township with information to monitor compliance with the budget and prepare annual reports in the format required by the Ohio Revised Code and Ohio Administrative Code.

Officials' Response:

The Officials did not respond to this finding.

Finding Number 2021-006

Noncompliance

Ohio Rev. Code §§ 109.43(B) and 149.43(E)(1) require all state and local elected officials, or their designees, to attend 3 hours of training on Ohio's Public Records Laws during each term of office. The training received must be certified by the Ohio Attorney General. Proof of completion of training must include documentation either from the Attorney General's Office or from another entity certified by the Attorney General to provide the training to the elected official or his/her designee. Attendees who successfully complete the training will receive a certificate to serve as proof of training.

All (100%) of the Township's elected officials with terms ending in 2020, did not, during their term of office, attend a required Certified Public Records Training or have an appropriate designee attend a training, due to deficiencies in internal controls over public record laws training procedures and monitoring. This could result in improper education of public offices regarding the offices' duties related to public records requests as well as improper withholding of information from stakeholders.

The elected officials, or their designee(s), should, during their term of office, attend public records training and maintain proof of completion of the training.

**Finding Number 2021-006
(Continued)**

Officials' Response:

The Officials did not respond to this finding.

Finding Number 2021-007

Internal Control Deficiency

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Due to deficiencies in the Township's financial statement monitoring and review process, the Township made the following errors in 2020:

- Property tax revenue was overstated by \$10,204 and \$3,146 in the General and Road and Bridge funds, respectively.
- Property tax revenues were understated by \$1,562, \$1,514, and \$7,129 in the Cemetery, Fire and Permissive Motor Vehicle License Tax funds, respectively.
- Intergovernmental revenue was understated by \$7,238, \$1,636, \$4,702, and \$4,523 in the General, Road and Bridge, Cemetery, and Fire funds, respectively.
- Intergovernmental revenue was overstated in the Permissive Motor Vehicle License Tax fund by \$8,456.
- Miscellaneous revenue was overstated in the General fund by \$1,978.
- Miscellaneous revenue was understated in the Gasoline Tax and Fire funds by \$885 and \$1,093, respectively.
- General Government expenditures were understated in the General fund by \$2,317.
- Public Works expenditures were understated in the Road and Bridge fund by \$1,016.
- Public Safety expenditures were understated in the Fire fund by \$1,558.
- Health expenditures were understated in the Cemetery fund by \$1,607.
- Additional misstatements for payroll allocation were reported in Finding Number 2021-003.

Due to deficiencies in the Township's financial statement monitoring and review process, the Township made the following errors in 2021:

- Property Tax revenue was understated in the General fund by \$2,188 and was understated in the Road and Bridge, Cemetery, Fire, and Permissive Motor Vehicle License Tax fund by \$473, \$1,436, \$1,390, and \$7,228, respectively.

**Finding Number 2021-007
(Continued)**

- Intergovernmental revenue were understated in the Road and Bridge, Cemetery and Fire funds by \$1,667, \$4,796, and \$4,682, respectively and was overstated in the General and Permissive Motor Vehicle License Tax fund by \$761 and \$7,228.
- Miscellaneous revenue was overstated in the General and Fire funds by \$10,314 and \$70, respectively.
- General Government expenditures were overstated in the General fund by \$6,945.
- Public Works expenditures were overstated by \$473.
- Health expenditures were understated in the Cemetery fund by \$1,436.
- Public Safety expenditures were understated in the Fire fund by \$1,390.
- Additional misstatements for payroll allocation were reported in Finding Number 2021-003.

The Township corrected the financial statements and accounting records, where appropriate.

Failure to accurately post and report transactions could result in material errors in the Township's financial statements and reduces the Township's ability to monitor financial activity and to make sound decisions which effect the overall available cash positions of the Township.

The Township should review and implement internal controls to ensure financial transactions are accurately recorded and reported.

Officials' Response:

The Officials did not respond to this finding.

Finding Number 2021-008

Internal Control Deficiency

The Township does not have a formal policy implemented which informs employees of the prohibition of political activity with Township funds. **Ohio Rev. Code § 9.03(C)** states that no governing body of a political subdivision shall use public funds to publish, distribute, or communicate information that supports or opposes the nomination or election of a candidate for public office, the investigation, prosecution, or recall of a public official, or the passage of a levy or bond issue. In addition, no public funds shall be used to compensate any employee of the political subdivision for time spent on any activity to influence the outcome of an election for any of the purposes described above. However, public funds may be used to publish information about the political subdivision's finances, activities, and governmental actions in a manner that is not designed to influence the outcome of an election or the passage of a levy or bond issue. Public funds may also be used to compensate an employee for attending a public meeting to present such information in such a manner even though the election, levy, or bond issue is discussed or debated at the meeting. Ohio Rev. Code § 124.61 prohibits the abuse of political influence. Public officials (or potential public officials) shall not corruptly use or promise to use, any official authority or influence in order to secure or aid any person in securing for himself or another any office or employment in the classified service, or any promotion or increase of salary therein, as a reward for political influence or service. The Township does not have a policy regarding political involvement.

**Finding Number 2021-008
(Continued)**

The Township should implement a policy in regards to political involvement of the Township elected officials and employees. The Township, with the assistance of their legal counsel, should develop a formal policy regarding political activity to govern transactions of the Township.

Officials' Response:

The Officials did not respond to this finding.

Finding Number 2021-009

Noncompliance

Ohio Rev. Code §5549.21 states that the board of township trustees may purchase or lease such machinery and tools as are necessary for use in constructing, reconstructing, maintaining, and repairing roads and culverts within the township, and shall provide suitable places for housing and storing machinery and tools owned by the township. It may purchase such material and employ such labor as is necessary for carrying into effect this section, or it may authorize the purchase or employment of such material and labor by one of its number, or by the township highway superintendent, at a price to be fixed by the board. All payments on account of machinery, tools, material, and labor shall be made from the township road fund. Except as otherwise provided in sections 505.08, 505.101 and 5513.01 of the Revised Code, all purchases of materials, machinery, and tools shall, if the amount involved exceeds fifty thousand dollars, be made from the lowest responsible bidder after advertisement, as provided in section 5575.01 of the Revised Code. During 2020 and 2021 the Township contracted a chip and seal project. The contract was awarded in the minutes with no documentation that confirmed compliance with the lowest and best selection or advertising for proposal. We were unable to confirm that the selected bid was the only bid received, or the lowest and best bid.

Failure to follow competitive bidding procedures could allow the Township to pay more for materials and labor than needed.

The Township should maintain all records in order to show compliance with the Ohio Revised Code and contract projects expected to exceed the \$50,000 threshold through competitive bidding procedures.

Officials' Response:

The Officials did not respond to this finding.

Finding Number 2021-010

Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Due to inadequate policies and procedures in approving and reviewing budget versus actual information, the Township's General Fund and Special Revenue Funds had expenditures in excess of appropriations of \$66,577 and \$233,606, as of December 31, 2020 and \$68,878 and \$204,210 as of December 31, 2021, respectively.

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

**Finding Number 2021-010
(Continued)**

The Trustees should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. Additionally, the Fiscal Officer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

Officials' Response:

The Officials did not respond to this finding.

Finding Number 2021-011

Noncompliance

Ohio Rev. Code § 5705.36(A)(1) provides, in part, on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget or, if adoption of a tax budget was waived under section 5705.281 of the Revised Code, from each fund created by or on behalf of the taxing authority.

The budget commission, taking into consideration the balances and revenues to be derived from taxation and other sources, shall revise its estimate of the amounts that will be credited to each fund from such sources, and shall certify to the taxing authority of each subdivision an amended official certificate of estimated resources.

The Fiscal Officer did not certify to the County Auditor the total amount from all sources available for expenditures from each fund or obtain a certificate of estimated resources from the Budget Commission in 2021. This was not detected by the Township due to deficiencies in the budgetary compliance and monitoring control policies and procedures. Failure to obtain the required amended certificate of estimated resources can lead to improper budgeting and limits the effectiveness of management monitoring.

The Fiscal Officer should, on or about the first day of each fiscal year, certify to the county auditor the total amount from all sources available for expenditures from each fund and obtain the approved amended certificate of estimated resources.

Officials' Response:

The Officials did not respond to this finding.

Finding Number 2021-012

Internal Control Deficiency

House Bill 312 (132 GA) requires political subdivisions (not including counties or colleges/universities) to follow procedures for the use of credit card accounts, including adopting a policy, conducting a periodic review, and in some cases providing itemized receipts to the political subdivision. The statute establishes two separate internal control models for credit card usage by political subdivisions: the custody and control model and the compliance officer model. Not later than February 2, 2019, the legislative authority of a political subdivision that holds a credit card account must adopt one of these written policies for the use of credit card accounts. Otherwise, a legislative authority must adopt a written policy before the use of a card account.

**Finding Number 2021-012
(Continued)**

The policy must include provisions addressing all the following:

- The appointment of a compliance officer, where applicable;
- The officers or positions authorized to use a credit card account;
- The types of expenses for which a credit card account may be used;
- The procedures for acquisition, use, and management of a credit card account and presentation instruments related to the account including cards and checks;
- The procedure for submitting itemized receipts to the fiscal officer or the fiscal officer's designee;
- The procedure for credit card issuance, credit card reissuance, credit card cancellation and the process for reporting lost or stolen credit cards;
- The political subdivision's credit card account's maximum credit limit or limits; and
- The actions or omissions by an officer or employee that qualify as misuse of a credit card account.

The Township did not have an authorized policy addressing all of the above items.

The Board of Trustees should establish and approve a credit card policy. This policy should, at a minimum, identify authorized users; establish guidelines for allowable use/purchases; established method of reimbursement (if personal use is allowed); establish specific unallowable uses; establish reporting; establish monitoring of use by appropriate levels of management; and establish other guidelines deemed appropriate by the legislative body, such as detailed receipts. All expenditures should have original source documentation maintained and on file. Examples include, invoices of purchases, communication documentation, or other receipt support.

Officials' Response:

The Officials did not respond to this finding.

Finding Number 2021-013

Noncompliance

Ohio Rev. Code § 5705.38(A) requires that on or about the first day of each fiscal year, the taxing authority of each subdivision or other taxing unit shall pass an appropriation measure. If the taxing authority desires to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1st.

The Township did not pass an appropriation measure for 2020 or 2021. Failure to adopt appropriations could result in overspending and negative cash fund balances.

The Township should pass an appropriation measure on or about the first day of each fiscal year. If the Township adopts a temporary measure, they must adopt a permanent measure no later than April 1. In addition, approved appropriation measures should be filed with the County Auditor.

**Finding Number 2021-013
(Continued)**

Officials' Response:

The Officials did not respond to this finding.

Finding Number 2021-014

Noncompliance

Ohio Rev. Code §505.601 states if a board of township trustees does not procure an insurance policy or group health care services as provided in section 505.60 of the Revised Code, the board of township trustees may reimburse any township officer or employee for each out-of-pocket premium attributable to the coverage provided for that officer or employee for insurance benefits described in division (A) of section 505.60 of the Revised Code that the officer or employee otherwise obtains, if all of the following conditions are met:

(A) The board of township trustees adopts a resolution that states that the township has chosen not to procure a health care plan under section 505.60 of the Revised Code and has chosen instead to reimburse its officers and employees for each out-of-pocket premium attributable to the coverage provided for them for insurance benefits described in division (A) of section 505.60 of the Revised Code that they otherwise obtain.

(B) That resolution provides for a uniform maximum monthly or yearly payment amount for each officer or employee to cover themselves and their immediate dependents, beyond which the township will not reimburse the officer or employee.

(C) That resolution states the specific benefits listed in division (A) of section 505.60 of the Revised Code for which the township will reimburse all officers and employees of the township. The township may not reimburse officers and employees for benefits other than those listed in division (A) of section 505.60 of the Revised Code.

The Township did not establish a resolution complying with the requirements of Ohio Rev. Code 505.601. Resolutions, rules and formal actions should be adopted by the Township during meetings. Failure to prepare the required resolutions can increase the risk of fraud, result in financial statement misstatements, and expenditures that are not for a proper public purpose.

The Township should draft and approve a resolution to help ensure medical reimbursements are made in accordance with Ohio Rev. Code § 505.601.

Officials' Response:

The Officials did not respond to this finding.

Finding Number 2021-015

Noncompliance

Ohio Rev. Code § 9.38 provides in part, all public monies received shall be deposited with the treasurer of the public office or designated depository on the business day next following the day of receipt, if the total amount of such monies received exceeds \$1,000. If the total amount of public moneys so received does not exceed \$1,000, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public monies until they are deposited.

The Township has not approved a policy to extend the time between collection and deposit beyond one business day.

Seven out of nine (78%) Miscellaneous receipts tested, totaling \$22,393, were not deposited with the Fiscal Officer or designated depository for a period ranging from five to twenty-four business days in 2020 and five to forty-two business days in 2021 after initial receipt of the monies. Delays of this nature resulting from deficiencies in internal control procedures could cause receipts to be lost, misplaced, or stolen without being detected in a timely manner.

The Township should draft, approve, and implement policies and procedures to help ensure timely depositing of public monies in accordance with Ohio Rev. Code § 9.38.

Officials' Response:

The Officials did not respond to this finding.

Finding Number 2021-016

Internal Control Deficiency

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection. The Fiscal Officer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Board of Trustees (the Board) are responsible for reviewing the reconciliations and related support.

Monthly bank to book reconciliations were not prepared by the Fiscal Officer or reviewed by the Board each month of 2019, 2020, and 2021. Failure to reconcile monthly increases the possibility that the Township will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The Township Fiscal Officer should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, the Board should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

**Finding Number 2021-016
(Continued)**

Officials' Response:

The Officials did not respond to this finding.

Finding Number 2021-017

Noncompliance

Ohio Rev. Code § 117.103(B)(1) states that a public office shall provide information about the Ohio fraud-reporting system and the means of reporting fraud to each new employee upon employment with the public office. Each new employee shall confirm receipt of this information within thirty days after beginning employment. Since May 4, 2012, Ohio Rev. Code § 117.103(B)(2), has also required each public office to make all its employees aware of the fraud-reporting system. Ohio Rev. Code § 117.103(B)(3) provides that a public office satisfies these notification requirements by providing information about the fraud-reporting system and means of reporting fraud in the employee handbook or manual. Employees must sign and verify receipt of the handbook or manual.

For 2020 and 2021, the Township neither made its current employees aware of the new fraud reporting system nor made new employees confirm receipt of this information. Failure to notify employees of the fraud reporting system could lead to instances of unreported fraud.

In order to prevent unreported instances of fraud, the Township should communicate the fraud reporting system to its current employees and implement a process for informing new employees.

Officials' Response:

The Officials did not respond to this finding.

Finding Number 2021-018

Noncompliance

Ohio Rev. Code § 117.38 provides that cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. 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 twenty-five dollars for each day the report remains unfiled, not to exceed seven hundred fifty dollars. The Auditor of State may waive these penalties, upon the filing of the past due financial report.

The Township filed its 2020 and 2021 financial reports on September 16, 2022, which were not within the allotted timeframe. The Fiscal Officer should file the Township's annual financial reports, in the proper format, with the Auditor of State within 60 days of the fiscal year end. Further, the Township should establish an accounting system capable of accurate financial reporting. Also, all of the Township's officials should obtain the necessary training needed to obtain an understanding in accounting information and reporting.

Officials' Response:

The Officials did not respond to this finding.

Finding Number 2021-019

Internal Control Deficiency and Noncompliance

Ohio Admin. Code Section 117-2-01(D)(4) states that when designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls.

The size of the Township's staff did not allow for an adequate segregation of duties; the Township Fiscal Officer performed all accounting functions, including receipting, depositing, disbursing, and reconciling. It is therefore important that the Township Trustees monitor financial activity closely.

Due to a lack of adequate policies and procedures regarding financial information monitoring and segregation of duties, the Fiscal Officer did not provide the Trustees with financial reports to review. Bank reconciliations were not completed by the Fiscal Officer and reviewed and approved by Trustees. No evidence was provided that showed the Trustees reviewed supporting documentation and/or weekly check registers, budget to actual financial reports were not monitored by the Trustees.

The Fiscal Officer should maintain record of budget and actual information in a format easily reviewable by the Trustees. Further, the Township Trustees should implement policies regarding the review of detailed financial reports, supporting documentation and/or weekly check registers, budget versus actual information, and bank reconciliations on a monthly basis. This should be documented in the minute record and/or initialed and dated as reviewed. The Township Trustees should also make appropriate inquiries to help determine the continued integrity of financial information.

Appropriate inquiries would include:

- Are current receipts sufficient to cover expenditures?
- Are receipts and expenditures in line with prior years?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood?
- Are anticipated receipts being received in a timely manner?

The information obtained as a result of such reviews and inquiries will provide important data necessary to properly manage the Township.

Officials' Response:

The Officials did not respond to this finding.

Finding Number 2021-020

Noncompliance

Ohio Rev. Code § 135.22(B) states that to enhance the background and working knowledge of treasurers in investments, cash management, ethics, and in any other subject area that the treasurer of state determines is reasonably related to the duties of a treasurer, the treasurer of state shall provide annual continuing education programs for treasurers. A treasurer annually shall complete the continuing education programs described, unless the treasurer annually provides a notice of exemption.

The prior Fiscal Officer did not attend the annual continuing education programs provided by the Auditor of State or complete the annual exemption to the Auditor of State's office in fiscal year 2021.

**Finding Number 2021-020
(Continued)**

In order to maintain and/or enhance the working knowledge and prevent future occurrences of noncompliance, the Fiscal Officer shall attend the annual training or complete an annual exemption and submit to the Auditor of State's office.

Officials' Response:

The Officials did not respond to this finding.

Finding Number 2021-021

Noncompliance

Ohio Rev. Code § 5705.41(D)(1) provides that no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required meet the obligation or, the case of continuing contract to be performed in whole or in part in an ensuing fiscal year, the amount required to meet the obligation in the fiscal year in which the contract is made has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that treasurer'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 Ohio Rev. Code §§ 5705.41(D)(1) and 5705.41(D)(3), respectively.

1. "Then and Now" certificate – If the chief fiscal officer can certify both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collections, 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 by ordinance or resolution.

Amounts less than \$100 in counties and less than \$3,000 in all other subdivisions or taxing units 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.

Due to deficiencies in internal controls, the Township used Then and Now purchase orders for 41 out of 48, or 85%, of the disbursement transactions selected to be tested. Failure to properly certify the availability of funds can result in overspending funds and negative cash balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to help ensure purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, the Fiscal Officer should certify the funds are or will be available prior to obligation by the Township. Only when prior certification is not possible should "then and now" certification be used.

Officials' Response:

The Officials did not respond to this finding.

Finding Number 2021-022

Internal Control Deficiency

The Township should ensure bills are paid by the required date in order to avoid penalties and interest as well as service interruption. During 2020, the Township accrued late fees for not timely remitting pension and payroll taxes in the amount of \$29.

This could result in questions regarding whether payment of late fees and accrued fees are considered expenditures for proper public purpose. Expenditures deemed to not be for proper public purpose could result in findings for recovery being issued.

The Township should pay invoices in a timely manner in order to avoid paying penalties on obligations.

Officials' Response:

The Officials did not respond to this finding.

OHIO AUDITOR OF STATE KEITH FABER



BRUSHCREEK TOWNSHIP

HIGHLAND COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 12/5/2023

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov