



Mary Taylor, CPA
Auditor of State

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

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Mary Taylor, CPA
Auditor of State

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 12, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Brushcreek Township, Highland County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, during 2005, the Township revised its financial statement presentation to follow accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Brushcreek Township, Highland County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2008, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Mary Taylor, CPA
Auditor of State

September 12, 2008

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Local Taxes	\$29,218	\$73,241	\$102,459
Intergovernmental	32,887	117,420	150,307
Earnings on Investments	591	1,742	2,333
Miscellaneous	133	2,004	2,137
	<u>62,829</u>	<u>194,407</u>	<u>257,236</u>
Cash Disbursements:			
Current:			
General Government	38,460		38,460
Public Safety		27,254	27,254
Public Works	626	122,734	123,360
Health	3,093	17,397	20,490
Debt Service:			
Redemption of Principal	5,219	10,803	16,022
Interest and Fiscal Charges	1,035	1,360	2,395
Capital Outlay		25,429	25,429
	<u>48,433</u>	<u>204,977</u>	<u>253,410</u>
Total Receipts Over/(Under) Disbursements	<u>14,396</u>	<u>(10,570)</u>	<u>3,826</u>
Fund Cash Balances, January 1	<u>37,586</u>	<u>99,887</u>	<u>137,473</u>
Fund Cash Balances, December 31	<u>\$51,982</u>	<u>\$89,317</u>	<u>\$141,299</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$1,043</u>	<u>\$1,043</u>

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

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Local Taxes	\$25,700	\$71,919	\$97,619
Intergovernmental	65,227	115,021	180,248
Earnings on Investments	580	1,767	2,347
Miscellaneous	65	8,693	8,758
	<u>91,572</u>	<u>197,400</u>	<u>288,972</u>
Cash Disbursements:			
Current:			
General Government	35,274		35,274
Public Safety		19,541	19,541
Public Works	530	119,248	119,778
Health	2,752	17,507	20,259
Debt Service:			
Redemption of Principal	38,539	615	39,154
Interest and Fiscal Charges	1,205	1,385	2,590
Capital Outlay	4,805	39,232	44,037
	<u>83,105</u>	<u>197,528</u>	<u>280,633</u>
Total Receipts Over/(Under) Disbursements	<u>8,467</u>	<u>(128)</u>	<u>8,339</u>
Other Financing Receipts:			
Proceeds from bank note		20,085	20,085
	<u>0</u>	<u>20,085</u>	<u>20,085</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	8,467	19,957	28,424
Fund Cash Balances, January 1	<u>29,119</u>	<u>79,930</u>	<u>109,049</u>
Fund Cash Balances, December 31	<u>\$37,586</u>	<u>\$99,887</u>	<u>\$137,473</u>

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

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Brushcreek Township, Highland County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general governmental services, road maintenance, cemetery maintenance, and fire protection services.

The Township is part of the Highland County Joint Township Hospital District, a jointly governed organization established for the public purpose of better providing for the health and welfare of the people primarily of Highland County. Trustees from each of the 17 townships of Highland County constitute the Highland County Joint Township Hospital Board of Trustees who appoints the Hospital Board of Governors which is composed of one member from each township and three at-large members.

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

B. Accounting Basis

During 2004 and 2005, the Township followed the modified cash basis of accounting. However, its financial statement presentation format and disclosures conformed with generally accepted accounting principles applicable to the modified cash accounting basis.

During 2006 and 2007, the Township continued to use the modified cash accounting basis, but revised its financial statement presentation format to follow the accounting basis the Auditor of State prescribes or permits. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Deposits

The Township deposits all available funds in an interest bearing checking account and certificates of deposit at a local commercial bank.

D. Fund Accounting

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

1. General Fund

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

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

1. Summary of Significant Accounting Policies (Continued)

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than 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.

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

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

3. Fiduciary Funds (Expendable Trust Funds)

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

E. Budgetary Process

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

1. Appropriations

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

2. 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.

3. 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 2006 and 2005 budgetary activity appears in Note 3.

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. 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.

2. Equity in Pooled Cash

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

	2007	2006
Demand deposits	\$138,776	\$134,951
Certificates of deposit	2,523	2,522
Total deposits	\$141,299	\$137,473

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or a letter of credit issued by Federal Home Loan Bank held in the township's name. Although letters of credit are normally provided for securities, there were short periods of time between letters of credit which left deposits exceeding \$100,000 unsecured and uncollateralized. At December 31, 2007 and 2006 \$43,561 and \$34,833 respectively, of deposits were not insured or collateralized.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$59,213	\$62,829	\$3,616
Special Revenue	192,952	194,407	1,455
Total	\$252,165	\$257,236	\$5,071

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$96,799	\$48,433	\$48,366
Special Revenue	292,840	206,020	86,820
Total	\$389,639	\$254,453	\$135,186

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. Budgetary Activity (Continued)

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$78,377	\$91,572	\$13,195
Special Revenue	186,427	217,485	31,058
Total	\$264,804	\$309,057	\$44,253

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$107,496	\$83,105	\$24,391
Special Revenue	263,320	197,528	65,792
Total	\$370,816	\$280,633	\$90,183

Contrary to Ohio law, estimated receipts exceeded actual receipts in some funds, the excess was appropriated, and a reduced amended certificate was not received and appropriations reduced.

4. Property Tax

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

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

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

5. Debt

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
Tractor and Mower Note	\$5,208	7.25%
Fire Truck Note	15,572	6.25%
Total	\$20,780	

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

5. Debt (Continued)

The note for the tractor and mower is an unsecured general obligation note issued in 2005 to pay off the lease purchase agreement. The loan was initially obtained for four year.

The note for the fire truck is also an unsecured general obligation note issued in 2006 to purchase a used fire truck. The loan was obtained for five years.

In 2007 the Brushcreek Volunteer Fire Department made an additional debt service principal payment for the Township in the amount of \$1,000. This on behalf payment has been recorded on the attached financial statements as Miscellaneous Receipts and Debt Service Redemption of Principal.

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

Year ending December 31:	Tractor and Mower Note	Fire Truck Note
2008	\$5,533	\$4,909
2009		4,909
2010		4,909
2011		3,636
Total	\$5,533	\$18,363

6. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, the OPERS member contributed 9.5% and 9%, respectively, of his gross salary and the Township contributed an amount equaling 13.85% and 13.7%, respectively, of the participant's gross salary. The Township has paid all contributions required through December 31, 2006.

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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. Risk Management (Continued)

Casualty Coverage

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

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006.

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. Risk Management (Continued)

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$11,646. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
2006	\$7,420
2007	\$5,823

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

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Mary Taylor, CPA

Auditor of State

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

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

To the Board of Trustees:

We have audited the financial statements of Brushcreek Township, Highland County, Ohio (the Township), as of and for the year ended December 31, 2007 and 2006, and have issued our report thereon dated September 12, 2008, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 and 2007-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe none of the significant deficiencies described above are material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated September 12, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 and 2007-002.

We did note certain noncompliance or other matters that we reported to the Township's management in a separate letter dated September 12, 2008.

We intend this report solely for the information and use of the management. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

September 12, 2008

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Noncompliance /Significant Deficiency

Ohio Rev Code, Section 5705.36(A)(2), allows subdivisions to request reduced amended certificates of estimated resources upon determination by the fiscal officer that revenue to be collected will be less than the amount in the official certificate of estimated resources. Estimated receipts exceeded actual receipts and the excess was appropriated in some funds as follows:

Fund	Estimated Receipts	Actual Receipts	Variance	Excess Appropriations over Actual Receipts
2006				
Motor Vehicle License	\$ 16,000	\$12,594	(\$3,406)	(\$3,406)
Road and Bridge	10,260	8,268	(1,992)	(1,992)
Permissive Motor Vehicle License	17,590	12,102	(5,488)	(5,488)
2007				
Motor Vehicle License	13,500	12,623	(877)	(877)
Road and Bridge	9,925	9,236	(689)	(689)
Cemetery Levy	35,290	34,173	(1,117)	(1,117)
Permissive Motor Vehicle License	15,600	10,805	(4,795)	(4,795)

The estimated receipts posted to the Township's accounting system did not always agree with the estimated receipts that were certified by the County Budget Commission on the latest amended certificate as follows:

Fund	Estimated Receipts		Variance
	Per Accounting System	Per Amended Certificate	
General	\$42,130	\$78,377	(\$36,247)
Road and Bridge	10,020	10,260	(240)
Cemetery Levy	31,850	32,850	(1,000)
Fire Levy	32,450	34,690	(2,240)
Permissive Motor Vehicle License	16,500	17,590	(1,090)

Over estimating receipts could result in spending more funds than received. In addition, not properly posting estimated receipts that were certified by the County Budget Commission can result in inaccurate system records and officials cannot make informed budgetary decisions.

**FINDING NUMBER 2007-001
(Continued)**

When the Township determines that receipts are going to be less than originally estimated, an amended certificate should be obtained and appropriations reduced, if necessary. The estimated receipts certified by the Budget Commission on the latest amended certificate are the official receipts that should be entered into the accounting system.

FINDING NUMBER 2007-002

Material Noncompliance/Significant Deficiency

Ohio Admin. Code Section 117-2-01(D) states, in part, that when designing a public office's system of internal control and the specific control activities, management should consider:

- Ensuring that all transactions are properly authorized in accordance with management's policies; and
- Ensuring that accounting records are properly designed.

We noted the following posting errors in the Township's accounting records:

- Proceeds in the amount of \$20,085 of the fire truck note were not recorded in the accounting system or reported as 2006 receipts in the annual financial report.
- The expenditure of the note proceeds used to purchase the fire truck in the amount of \$20,085 was not recorded in the accounting system or reported as 2006 disbursements in the annual financial report.
- The \$5,000 payment made by the volunteer fire department for the purchase of the fire truck was not recorded in the accounting system or reported as 2006 receipts and disbursements.
- The portion of the tractor and mower debt payment made in 2006 from the Cemetery Levy Fund in the amount of \$2,000 was charged to the Tools and Equipment line item and was reported as Health expenditures.
- The 10,000 personal property tax exemptions in of \$109 in 2006 and \$85 in 2007 were improperly posted to the Personal Property Taxes line item and reported as Taxes.
- The \$3,037 road sealing grant from the county engineer was reported as Other Revenue in 2006 and 2007, instead of as Intergovernmental.
- The May 2007 HB 66 distribution was not distributed to the proper funds and was only credited to the Road and Bridge Fund in the amount of \$43.
- The August 2007 public utilities reimbursement in the amount of \$961 was not distributed to the proper funds and was only credited to the General Fund.
- The fire truck note payment in 2007 in the amount of \$4,909 was made from New Buildings and Equipment line item and reported as Capital Outlay.
- An additional \$6,254 payment was made on the tractor and mower note in 2007 from the Road and Bridge Fund. The payment was made from Other Expenses line item and reported as Public Works.

FINDING NUMBER 2007-002
(Continued)

- The employee was paid from the Gasoline Tax Fund for repairing a water leak at the Fire Department in 2007.
- The fire truck debt principal payment in the amount of \$1,000 made by the volunteer fire department was not recorded in the accounting system or reported as 2007 receipts and disbursements.

Failure to properly post transactions resulted in transactions being posted to the wrong fund or appropriation line item and inaccurately reported in the annual report. Adjustments and reclassifications were made on the financial statements to correct the significant items. We recommend that the Fiscal Officer review the chart of accounts in the *Ohio Township Handbook* to assure that items are being posted to the proper fund and account codes.

We did not receive a response from officials to the findings above.



Mary Taylor, CPA
Auditor of State

BRUSHCREEK TOWNSHIP

HIGHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 7, 2008**