

Brush Creek Township
Scioto County
Regular Audit
For the Years Ended December 31, 2013 and 2012



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Dave Yost • Auditor of State

Township Trustees
Brush Creek Township
PO Box 12
Otway, Ohio 45657

We have reviewed the *Independent Auditor's Report* of Brush Creek Township, Scioto County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2012 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Brush Creek Township is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

September 10, 2014

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Brush Creek Township
Scioto County
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For the Years Ended December 31, 2013 and 2012

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Independent Auditor's Report

Board of Trustees
Brush Creek Township
Scioto County
P.O. Box 12
Otway, Ohio 45657

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2014, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.

June 30, 2014

Brush Creek Township
Scioto County
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2013

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Other Local Taxes	\$25,301	\$47,406	\$72,707
Intergovernmental	17,937	107,454	125,391
Earnings on Investments	6	15	21
Miscellaneous	67	1,518	1,585
Total Cash Receipts	43,311	156,393	199,704
Cash Disbursements:			
Current:			
General Government	27,047	0	27,047
Public Safety	0	31,039	31,039
Public Works	0	73,208	73,208
Health	8,748	7,824	16,572
Conservation and Recreation	0	478	478
Capital Outlay	0	5,785	5,785
Debt Service:			
Redemption of Principal	4,366	3,483	7,849
Interest and Other Fiscal Charges	1,419	87	1,506
Total Cash Disbursements	41,580	121,904	163,484
Net Change in Fund Cash Balances	1,731	34,489	36,220
Fund Cash Balances, January 1	1,921	75,741	77,662
Fund Cash Balances, December 31:			
Restricted for:			
Road and Bridge Maintenance and Repair	0	84,303	84,303
Cemetery	0	7,611	7,611
Fire Protection	0	11,372	11,372
Parks and Recreation	0	433	433
Emergency Management	0	6,511	6,511
Unassigned	3,652	0	3,652
Fund Cash Balances, December 31	\$3,652	\$110,230	\$113,882

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

Brush Creek Township
Scioto County
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2012

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Other Local Taxes	\$24,787	\$46,616	\$71,403
Intergovernmental	60,575	99,544	160,119
Earnings on Investments	22	22	44
Miscellaneous	1,407	821	2,228
Total Cash Receipts	86,791	147,003	233,794
Cash Disbursements:			
Current:			
General Government	46,359	0	46,359
Public Safety	0	31,006	31,006
Public Works	0	81,287	81,287
Health	8,748	5,048	13,796
Conservation/Recreation	0	2,461	2,461
Capital Outlay	29,550	41,798	71,348
Debt Service:			
Redemption of Principal	4,172	3,588	7,760
Interest and Other Fiscal Charges	1,466	157	1,623
Total Cash Disbursements	90,295	165,345	255,640
Net Change in Fund Balance	(3,504)	(18,342)	(21,846)
Fund Cash Balances, January 1	5,425	94,083	99,508
Restricted for:			
Road and Bridge Maintenance and Repair	0	56,663	56,663
Cemetery	0	7,063	7,063
Fire Protection	0	7,194	7,194
Parks and Recreation	0	461	461
Emergency Management	0	4,360	4,360
Unassigned	1,921	0	1,921
Fund Cash Balances (Deficit), December 31	\$1,921	\$75,741	\$77,662

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

Brush Creek Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 1 – Summary of Significant Accounting Policies

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Brush Creek Township, Scioto County (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection, and ambulatory services. The Township contracts with the Village of Otway to provide fire protection services and with Scioto Ambulatory District to provide ambulance services. The Scioto Ambulatory District is defined as a jointly governed organization and is described in Note 9.

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is the Ohio Township Association Risk Management Authority (OTARMA). This is a risk sharing pool available to all townships for property and casualty insurance coverage.

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

Basis of Accounting

These financial statements follow the accounting basis the Auditor of State of Ohio prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Cash

The Township maintains its cash pool in an interest-bearing checking account with a local commercial bank.

Fund Accounting

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

General Fund

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

Special Revenue Funds

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

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

Brush Creek Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Budgetary Process

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

Appropriations

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

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated.

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

Fund Balances

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

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

Restricted – Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

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

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

Brush Creek Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Property, Plant, and Equipment

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

Note 2 – Equity in Pooled Cash

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

	2013	2012
Demand Deposits	\$113,882	\$77,662

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

Note 3 – Budgetary Activity

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

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$34,272	\$43,311	\$9,039
Special Revenue	137,721	156,393	18,672
Total	\$171,993	\$199,704	\$27,711

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$50,754	\$41,580	\$9,174
Special Revenue	199,371	121,904	77,467
Total	\$250,125	\$163,484	\$86,641

Brush Creek Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 3 – Budgetary Activity (Continued)

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

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$87,358	\$86,791	(\$567)
Special Revenue	156,525	147,003	(9,522)
Total	\$243,883	\$233,794	(\$10,089)

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$116,939	\$90,295	\$26,644
Special Revenue	221,008	165,345	55,663
Total	\$337,947	\$255,640	\$82,307

Note 4 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts.

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

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.

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

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

Note 5 – Debt

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Land Bonds	\$24,994	4.5%
Total	\$24,994	

In June 2008, the Township authorized the issuance of \$45,000 in bonds for the purpose of purchasing property. These bonds carry an interest rate of 4.5% and require semi-annual payments of \$2,819, with a final payment due in August 2018. These bonds are secured by the full faith and credit of the Township.

In November 2008, the Township authorized the issuance of \$16,500 in bonds for the purpose of purchasing a dump truck. These bonds carry an interest rate of 5% and require monthly payments of \$311. The final payment was made in December 2013.

Brush Creek Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 5 – Debt (Continued)

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

Year Ending December 31:	Land Bonds
2014	\$5,639
2015	5,639
2016	5,639
2017	5,639
2018	5,639
Total	<u>\$28,195</u>

Note 6 – Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries, with the Township contributing an amount equal to 14% of participants’ gross salaries. The Township has paid all contributions required through December 31, 2013.

Note 7 – Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA’s financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2012:

Brush Creek Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 7 – Risk Management (Continued)

	2013	2012
Assets	\$34,954,286	\$34,771,270
Liabilities	8,486,363	9,355,082
Net Assets	\$26,467,923	\$25,416,188

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township’s share of these unpaid claims collectible in future years is approximately \$3,000.

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

Contributions to OTARMA	
2013	2012
\$5,295	\$5,899

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

Note 8 – Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

The Township is not currently party to legal proceedings.

Note 9 – Jointly Governed Organization

The Township is a member of the Scioto Ambulatory District. The Ambulatory District is directed by an appointed five-member Board. The District provides ambulatory services to the areas of Brush Creek Township, Rush Township, Union Township, Morgan Township and the Village of Otway. A representative from each Township or Village is appointed to the Scioto Ambulatory District Board. The Ambulatory District is supported by taxes that are collected by the Scioto County Auditor from the property owners in Brush Creek Township. These taxes are paid to the Ambulatory District by the County. The Township does not assist in funding the Ambulatory District.

Brush Creek Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 10 – Compliance

- The Township did not always certify the availability of funds contrary to Ohio Revised Code Section 5705.41(D).
- The Township had appropriations in excess of estimated resources contrary to Ohio Revised Code Section 5705.39.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

Board of Trustees
Brush Creek Township
Scioto County
P.O. Box 12
Otway, Ohio 45657

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Brush Creek Township, Scioto County, (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated June 30, 2014, wherein we noted the Township followed the accounting basis the Auditor of State prescribes or permits, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2013-1 through 2013-3 to be material weaknesses.

Brush Creek Township
Scioto County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2013-4 and 2013-5.

Township's Responses to Findings

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

Purpose of this Report

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



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.

June 30, 2014

Brush Creek Township
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2013 and 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2013-1

Material Weakness – Financial Reporting

A monitoring system by the Township should be in place to prevent or detect misstatements for the accurate presentation of the Township's financial statements. Several errors were identified within the Township's financial records, including misclassification of receipts and disbursements and postings to incorrect funds. In addition, the Township's records, which were kept manually during the audit period, were not in agreement between themselves or with the annual financial report. Errors appear to be a result of lack of proper monitoring procedures. Errors in the financial statements subjects the Township to the risk of relying on misinformation for decision-making processes and could result in such problems as deficit spending in funds. Also, variances among accounting ledgers may not provide the Township with a timely and accurate picture of financial status until variances are resolved. The Township should implement additional monitoring procedures to ensure financial transactions are properly recorded and that accounting ledgers are properly reconciled on a regular basis and accurately reflect activity.

Township Response:

The Township is working to correct these issues.

Finding Number 2013-2

Material Weakness – Budgetary Information Within UAN

Accurate budgetary information within the Township's accounting legers is pertinent to ensure that the Township has accurate and complete information for decision-making processes. The Township did not track budgetary information for resources during the audit period. Furthermore, Variances were identified between formally approved appropriations measures and amendments and the accounting records. The Township should implement the appropriate procedures, such as inclusion of estimated resources with a running comparison to actual receipts and periodic comparisons of accounting records back to formally-approved budgetary measures, to ensure accurate budgetary information is properly maintained.

Township Response:

The Township is working to correct these issues.

Brush Creek Township
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2013 and 2012

Finding Number 2013-3

Material Weakness – Financial Monitoring

Sound internal control policies require management and the Trustees to monitor the financial activity of the Township. Actual revenue and expenses should be compared to budgeted amounts each month and reported to and reviewed by the Trustees. The Trustees should determine the reasons why actual expenditures exceeded or were less than budgeted expenditures by making inquiries to management about the reasons. Additionally, the Trustees should compare their actual cash balances to budgeted cash balances at the end of each month. When actual cash balances are below budgeted cash balances, the Township should look for ways to increase revenues and/or decrease expenditures budgeted in the upcoming months so as to achieve the budgeted cash balance.

There was no documentation to indicate that Trustees use financial information to monitor the financial activity of the Township. The lack of financial information provided to the Trustees for review each month hampers the Trustees' ability to effectively monitor the financial activity and position of the Township. For each regular meeting, the Fiscal Officer should provide a detailed budget and financial statements, lists of investments, cash balances and checks paid.

The Trustees should carefully review financial information and make appropriate inquiries to help determine the continued integrity of financial information. This information also provides important data necessary to manage the Township. This information can help answer questions such as the following:

Inquiries relevant to overall Township operations:

- Are current receipts sufficient to cover expenditures?
- Are expenditures in line with prior year costs?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted?
- Are anticipated receipts being timely received?
- Is the Township maximizing its return on invested cash balances?
- Is the Township able to achieve the financial goals as set by the original or amended budgets?

In order to effectively monitor the financial activity of the Township, the Trustees should review and accept/approve the monthly financial information provided by the Fiscal Officer. The review of this information should be noted in the minutes of the meetings of the Trustees.

Township Response:

The Township is working to correct these issues.

Finding Number 2013-4

Noncompliance – Appropriations in Excess of Estimated Resources

Ohio Revised Code Section 5705.39 states that total appropriations from each fund shall not exceed the total estimated resources. The Township's appropriations exceeded estimated resources in various funds in 2012 and 2013. The Township should implement the appropriate procedures to assure that appropriations do not exceed the amount of estimated resources.

Township Response:

The Township is working to correct these issues.

Brush Creek Township
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2013 and 2012

Finding Number 2013-5

Noncompliance – Prior Encumbrance of Funds

Ohio Revised Code Section 5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract 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. The statute provides the following exception to this basic requirement:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that she is completing her certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$3,000 for political subdivisions other than counties may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority.

The Township had disbursements not certified at the time of commitment in 2012 and 2013 without evidence that the Township followed the aforementioned exception. There were also several instances where a PO was not issued.

The Township should implement additional monitoring procedures to ensure all disbursements are authorized by a purchase order and are in compliance with ORC 5705.41(D).

Township Response:

The Township is working to correct these issues.

Brush Creek Township
Scioto County
Schedule of Prior Audit Findings
For the Years Ended December 31, 2013 and 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Finding 2011-1	Material Weakness – Financial Reporting	No	Reissued as Finding 2013-1
Finding 2011-2	Material Weakness – Financial Monitoring	No	Reissued as Finding 2013-3
Finding 2011-3	Noncompliance – ORC Section 5705.41(D) – Prior Encumbrance of Funds	No	Reissued as Finding 2013-5
Finding 2011-4	Noncompliance – ORC Section 505.24 – Trustees Salaries	Yes	
Finding 2011-5	Noncompliance – ORC Section 5705.41(B) – Expenditures in Excess of Appropriations	No	Reissued in Management Letter



Dave Yost • Auditor of State

BUSCH CREEK TOWNSHIP

SCIOTO COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 23, 2014**