



Dave Yost • Auditor of State

**BRUSH CREEK TOWNSHIP
JEFFERSON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Brush Creek Township
Jefferson County
1138 Township Road 296
Hammondsville, Ohio 43930

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Brush Creek Township, Jefferson County, (the "Township") as of and for the years ended December 31, 2015 and 2014.

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 opinions.

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2015 and 2014, 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, Jefferson as of December 31, 2015 and 2014, 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 October 26, 2016, 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.



Dave Yost
Auditor of State
Columbus, Ohio

October 26, 2016

**BRUSH CREEK TOWNSHIP
JEFFERSON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

| | General | Special Revenue | Totals (Memorandum Only) |
|---|-----------------|--------------------|--------------------------------|
| Cash Receipts | | | |
| Property and Other Local Taxes | \$9,699 | \$30,082 | \$39,781 |
| Licenses, Permits and Fees | 40 | | 40 |
| Intergovernmental | 28,761 | 113,146 | 141,907 |
| Miscellaneous | 60 | | 60 |
| <i>Total Cash Receipts</i> | <u>38,560</u> | <u>143,228</u> | <u>181,788</u> |
| Cash Disbursements | | | |
| Current: | | | |
| General Government | 25,227 | 2,933 | 28,160 |
| Public Safety | | 8,587 | 8,587 |
| Public Works | 1,258 | 106,830 | 108,088 |
| Health | 2,684 | | 2,684 |
| Human Services | 555 | 6,091 | 6,646 |
| Capital Outlay | | 25,190 | 25,190 |
| Debt Service: | | | |
| Interest and Fiscal Charges | | 924 | 924 |
| <i>Total Cash Disbursements</i> | <u>29,724</u> | <u>150,555</u> | <u>180,279</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>8,836</u> | <u>(7,327)</u> | <u>1,509</u> |
| Other Financing Receipts | | | |
| Loan Proceeds | | 20,000 | 20,000 |
| Other Financing Sources | 234 | 85 | 319 |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>234</u> | <u>20,085</u> | <u>20,319</u> |
| <i>Net Change in Fund Cash Balances</i> | 9,070 | 12,758 | 21,828 |
| <i>Fund Cash Balances, January 1</i> | <u>10,254</u> | <u>59,770</u> | <u>70,024</u> |
| Fund Cash Balances, December 31 | | | |
| Restricted | 0 | 72,528 | 72,528 |
| Unassigned (Deficit) | 19,324 | 0 | 19,324 |
| <i>Fund Cash Balances, December 31</i> | <u>\$19,324</u> | <u>\$72,528</u> | <u>\$91,852</u> |

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

**BRUSH CREEK TOWNSHIP
JEFFERSON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | General | Special Revenue | Totals (Memorandum Only) |
|---|-----------------|--------------------|--------------------------------|
| Cash Receipts | | | |
| Property and Other Local Taxes | \$9,311 | \$27,458 | \$36,769 |
| Intergovernmental | 15,896 | 100,561 | 116,457 |
| Earnings on Investments | 1 | | 1 |
| Miscellaneous | 70 | | 70 |
| <i>Total Cash Receipts</i> | <u>25,278</u> | <u>128,019</u> | <u>153,297</u> |
| Cash Disbursements | | | |
| Current: | | | |
| General Government | 21,367 | 6,288 | 27,655 |
| Public Safety | | 6,311 | 6,311 |
| Public Works | 989 | 102,584 | 103,573 |
| Health | 2,261 | | 2,261 |
| Human Services | 1,890 | 1,923 | 3,813 |
| Capital Outlay | | 18,155 | 18,155 |
| Debt Service: | | | |
| Principal Retirement | | 18,690 | 18,690 |
| Interest and Fiscal Charges | | 609 | 609 |
| <i>Total Cash Disbursements</i> | <u>26,507</u> | <u>154,560</u> | <u>181,067</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(1,229)</u> | <u>(26,541)</u> | <u>(27,770)</u> |
| Other Financing Receipts | | | |
| Other Financing Sources | 118 | 17,602 | 17,720 |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>118</u> | <u>17,602</u> | <u>17,720</u> |
| <i>Net Change in Fund Cash Balances</i> | (1,111) | (8,939) | (10,050) |
| <i>Fund Cash Balances, January 1</i> | <u>11,365</u> | <u>68,709</u> | <u>80,074</u> |
| Fund Cash Balances, December 31 | | | |
| Restricted | | 59,770 | 59,770 |
| Unassigned (Deficit) | 10,254 | | 10,254 |
| <i>Fund Cash Balances, December 31</i> | <u>\$10,254</u> | <u>\$59,770</u> | <u>\$70,024</u> |

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

**BRUSH CREEK TOWNSHIP
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

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 the Brush Creek, Jefferson 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, recreation, cemetery maintenance and general government services. The Township contracts with Bergholz Volunteer Fire Department, Village of Irondale Fire Department and Salineville Fire Department for fire protection services.

The Township participates in the Ohio Plan Risk Management, Inc (OPRM) a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. The organization is:

Public Entity Risk Pool:

The Ohio Plan Risk Management, Inc. (OPRM) provides property and casualty coverage for its members.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The 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(D) permit.

C. 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.

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**BRUSH CREEK TOWNSHIP
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Funds

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

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

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. 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 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 2015 and 2014 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

**BRUSH CREEK TOWNSHIP
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**BRUSH CREEK TOWNSHIP
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

| | 2015 | 2014 |
|--------------------------------|----------|----------|
| Demand deposits | \$91,852 | \$70,024 |
| Total deposits and investments | \$91,852 | \$70,024 |

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts

| | Budgeted Receipts | Actual Receipts | Variance |
|-----------------|----------------------|--------------------|----------|
| General | \$29,625 | \$38,794 | \$9,169 |
| Special Revenue | 165,600 | 163,313 | (2,287) |
| Total | \$195,225 | \$202,107 | \$6,882 |

2015 Budgeted vs. Actual Budgetary Basis Expenditures

| | Appropriation Authority | Budgetary Expenditures | Variance |
|-----------------|----------------------------|---------------------------|-----------|
| General | \$29,959 | \$29,724 | \$235 |
| Special Revenue | 146,231 | 150,555 | (4,324) |
| Total | \$176,190 | \$180,279 | (\$4,089) |

2014 Budgeted vs. Actual Receipts

| | Budgeted Receipts | Actual Receipts | Variance |
|-----------------|----------------------|--------------------|-----------|
| General | \$27,691 | \$25,396 | (\$2,295) |
| Special Revenue | 151,049 | 145,621 | (5,428) |
| Total | \$178,740 | \$171,017 | (\$7,723) |

2014 Budgeted vs. Actual Budgetary Basis Expenditures

| | Appropriation Authority | Budgetary Expenditures | Variance |
|-----------------|----------------------------|---------------------------|----------|
| General | \$31,936 | \$26,507 | \$5,429 |
| Special Revenue | 241,076 | 154,560 | 86,516 |
| Total | \$273,012 | \$181,067 | \$91,945 |

Contrary to Ohio Revised Code §133, the Township issued a promissory note, which is not an allowable debt instrument. The Township had appropriations that exceeded estimated resources in the Gasoline Tax Fund, contrary to Ohio Revised Code §5705.39. In addition, the Township had disbursements that exceeded appropriations in the Gasoline Tax fund, a violation of Ohio Revised Code §5705.41(B).

**BRUSH CREEK TOWNSHIP
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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, 2015 was as follows:

| | Principal | Interest Rate |
|------------------------------|-----------|---------------|
| Consumers National Bank Loan | \$20,227 | 3% |
| Total | \$20,227 | |

The Township entered in to a loan agreement to finance the purchase of a backhoe for Township road maintenance.

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

| Year ending December 31: | Loan |
|--------------------------|----------|
| 2016 | \$5,434 |
| 2017 | 5,434 |
| 2018 | 5,434 |
| 2019 | 5,434 |
| Total | \$21,736 |

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

**BRUSH CREEK TOWNSHIP
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

7. RISK MANAGEMENT

The Government belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 and 2014 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2015 and 2014.

| | 2015 | 2014 |
|-----------------|--------------------|--------------------|
| Assets | \$14,643,667 | \$14,830,185 |
| Liabilities | (9,112,030) | (8,942,504) |
| Members' Equity | <u>\$5,531,637</u> | <u>\$5,887,681</u> |

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

8. RELATED PARTY TRANSACTIONS

A Township Trustee is employed at a company from which the Township purchases limestone and road supplies during 2015 and 2014. The Township remitted \$447 and \$10,014 during 2015 and 2014, respectively, for these purchases. In addition, a family member of the Fiscal Officer who works at a local banking institution secured a loan for the Township in the amount of \$20,000 for the repair of a Grader.



Dave Yost • Auditor of State

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

Brush Creek Township
Jefferson County
1138 Township Road 296
Hammondsville, Ohio 43930

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements by fund type of Brush Creek Township, Jefferson County, (the "Township") as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated October 26, 2016 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. We consider findings 2015-005, 2015-006 and 2015-007 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2015-008 and 2015-009 described in the accompanying schedule of findings to be significant deficiencies.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2015-001 through 2015-004.

Entity's Response to Findings

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

October 26, 2016

**BRUSH CREEK TOWNSHIP
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

| |
|--|
| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|--|

FINDING NUMBER 2015-001

Noncompliance Citation – Township Debt

Ohio Rev. Code Chapter 133 allows various methods for subdivisions to incur debt. Section 133.22 allows a subdivision to issue anticipatory securities; Section 133.10 allows anticipation securities in anticipation of current property tax revenues or in anticipation of current revenues in and for any fiscal year from any source or combination of sources, including distributions of any federal or state monies, other than the proceeds of property taxes levied by the subdivision; Section 133.15 allows the issuance of securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct; and Section 133.18 allows the taxing authority of a subdivision by legislation to submit to the electors of the subdivision question of issuing any general obligation bonds, for one purpose, that the subdivision has the power or authority to issue.

On March 18, 2015, the Township signed a promissory note with Consumers National Bank in the amount of \$20,000 to be used for the repair of the 1990 Champion Road Grader. Due to the fact this debt is a promissory note between a banking institution and the Township, the note does not meet the requirements set forth in Ohio Revised Code Chapter 133. Failure to issue debt in accordance with Ohio Revised Code Chapter 133 could result in adjustments to the financial statements should debt proceeds and subsequent payments be recorded in the improper fund.

The Township did not have procedures in place to ensure a promissory note is an authorized debt instrument.

The Township should issue debt in accordance with Ohio Revised Code Chapter 133.

Officials Response: As according to past practices with promissory notes being authorized with previous trustees and fiscal officers we pursued a note with a local bank. The township will adopt procedures to ensure issuance of allowable debt per the Ohio Revised Code.

FINDING NUMBER 2015-002

Noncompliance Citation – Appropriations Versus Estimated Resources

Ohio Rev. Code § 5705.39 requires that total appropriations from each fund should not exceed the total estimated resources from each fund.

At December 31, 2014, total appropriations exceeded total estimated resources in the Gasoline Tax Special Revenue Fund by \$16,646 (11%). The Township does not have a policy in place to monitor this budgetary measure. By appropriating more monies than available, the Township risks overspending within the respective fund and a possible negative fund balance.

The Township's management should monitor appropriations versus estimated resources to help ensure appropriations are within estimated resources to help ensure overspending does not occur. In addition, the Fiscal Officer should obtain the necessary Amended Official Certificate of Estimated Resources from the County Auditor, which should be certified by the budget commission, each time appropriations and estimated resources are amended.

Officials Response: The fiscal officer will request an Amended Certificate of Estimated Resources from the County Auditor each time the appropriations or revenues are amended and documented in the minutes.

FINDING NUMBER 2015-003

Noncompliance Citation – Expenditures Exceed Appropriations

Ohio Rev. Code §5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

At December 31, 2015, Disbursements plus encumbrances exceeded appropriations in the Gasoline Tax Special Revenue Fund by \$16,986 (16%).

The Fiscal Officer did not update appropriations within the Uniform Accounting Network System which led to the Trustees not having adequate and updated information to base budgetary decisions upon. This could also result in overspending and negative fund balances.

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer should request Trustees to approve increased disbursement levels by increasing appropriations in the minutes and amending estimated resources, if necessary and available.

Officials Response: The Fiscal Officer will not certify the availability of funds that exceed the appropriations without adopting and reporting a change in the budget. Trustee approval to increase and amend appropriations and estimated resources will be sought. The Fiscal Officer will request an Amended Certificate of Estimated Resources from the County Auditor.

FINDING NUMBER 2015-004

Noncompliance Citation – Related Party Transaction

Ohio Rev. Code § 102.03(D)(E) and Ohio Ethics Commission Advisory Opinion Number 98-001 states, in part, that no public official or employee shall use or authorize the use of the authority or influence of office or employment to secure anything of value or the promise or offer of anything of value that is of such a character as to manifest a substantial and improper influence upon the public official or employee with respect to that person's duties and that no public official or employee shall solicit or accept anything of value that is of such a character as to manifest a substantial and improper influence upon the public official or employee with respect to that person's duties.

Ohio Rev. Code § 2921.42 states, in part, that no public official shall knowingly authorize, or employ the authority or influence of the public official's office to secure authorization of any public contract in which the public official, a member of the public official's family, or any of the public official's business associates has an interest.

A Township Trustee works at the East Fairfield Coal Company where the Township purchases limestone and other road supplies. A review of the check register revealed the Township remitted \$447 and \$10,014 to the company during 2015 and 2014, respectively. No evidence was provided to determine if the Trustee refrained from approving those warrants. In addition, the Township does not have a related party transaction policy in place.

The related party transaction in the amount of \$10,461 will be referred to the Ohio Ethics Commission.

The Township should adopt a related party transaction policy. In addition, the Township should consider refraining from conducting business in which a relative of a Township official/employee or the Township official/employee themselves influenced the subsequent transaction. If conducting the business is necessary (i.e. sole source provider), the employee/official should refrain from having input in the deliberation or decision making process as evidenced in the minutes.

**FINDING NUMBER 2015-004
(Continued)**

Officials Response: The Township has purchased stone from East Fairfield Coal Company for many years, even when the trustee mentioned was not in office. He served as trustee during other terms and there were purchases to this same vendor. This is the nearest provider within our township. The township's purchase of stone from the vendor has no bearing on the Trustee's employment. The Trustee will abstain from any discussion and voting on matters pertaining to this vendor. The Township will adopt a Related Party Transaction policy to address this issue.

FINDING NUMBER 2015-005

Material Weakness – Reconciliation Process

The reconciliation of the accounting records of the Township to the cash balance is the most basic and primary control process performed by the fiscal officer of an organization. Lack of completing an accurate and timely reconciliation allows for accounting errors, theft and fraud to occur without timely detection. The Fiscal Officer is responsible for reconciling the Township's book (fund) balance to the total bank balance on a monthly basis.

An examination of the Township's cash reconciliation as of December 31, 2015 and 2014 identified the following concerns:

- The Fiscal Officer prepared three different December 2015 reconciliations, none included an accurate reconciled balance but were presented and signed by the Trustees noting their approval;
- A reconciliation was not performed for the months of January and February 2015;
- The Township voided a check totaling \$395 but it was subsequently cashed by the bank;
- The Township authorized a payment to the Ohio Department of Job and Family Services in April of 2015 totaling \$2,244 which was not posted to the accounting system as of December 31, 2015;
- Bank fees charged from January through June of 2014 totaling \$15 were not recorded in the accounting system;
- The Fiscal Officer was not posting receipts in a timely manner as some receipts were posted up to four months subsequent to year-end. As of December 31, 2014, the Township listed \$3,943 in monies that were deposited with the bank but not yet recorded in the accounting system and an additional \$8,551 in County receipts remitted to the Township in December of 2014 that were not recorded until February of 2015. In addition, one receipt was posted incorrectly in the accounting system and was carried as another reconciling item until year-end;
- An electronic funds transfer totaling \$606 was recorded in the accounting system but had not cleared the bank as of December 31, 2014;
- One check was included on the outstanding checklist as of December 31, 2014 was reflected as cleared in the accounting system.
- The Fiscal Officer is out of town consistently and has a family member takes the township's mail to the bank where it is subsequently opened and deposited. This situation contributed to the errors in the reconciliation since amounts are often not posted timely.

**FINDING NUMBER 2015-005
 (Continued)**

The net effect of these errors resulted in the Township's cash fund balances exceeding their depository balances by \$2,658 at year end. Currently, the Township does not have a process in place for reconciling all accounts or obtaining support for other reconciling items. Failure to post each receipt and disbursement and properly support each figure on the bank reconciliation may result in an audit adjustment to the financial statements.

Officials Response: The Fiscal Officer accepts responsibility for the errors in records during this time due to several health and surgery issues as well as utilizing a family member to take deposits to the bank, which was approved by the Trustees. The Township will be utilizing a post office box where checks will be sent. This will allow both the Fiscal Officer and Trustees to pick up checks and deposit into the bank account.

FINDING NUMBER 2015-006

Material Weakness- Accurate Posting of Transactions

Sound financial reporting is the responsibility of the Fiscal Officer and Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The Fiscal Officer did not correctly record all receipts and disbursements. This was attributed to the Fiscal Officer not abiding by the adopted chart of accounts. The fiscal officer has agreed to and posted the following adjustment and reclassifications, which are reflected in the accompanying financial statements:

2015:

| Fund Name | Account Type | Amount | Description |
|--------------------------|-------------------------------------|---------------|---|
| Reclassification: | | | |
| Gasoline Tax | Reclassified to Other Debt Proceeds | \$20,000 | Loan proceeds recorded as Other Financing Source. |
| Adjustment: | | | |
| General | General Government Expense | 2,658 | Adjustment to reconcile at year end. |

**FINDING NUMBER 2015-006
 (Continued)**

2014:

| Fund Name | Account Type | Amount | Description |
|-------------------------------|----------------------------|---------------|---|
| Reclassifications: | | | |
| General Fund | Intergovernmental Receipts | \$2,000 | Recreation grant posted as Other Financing Source. |
| Special Revenue Funds: | | | |
| Gasoline Tax | General Government Expense | 2,500 | Audit fees and asphalt materials posted as an Interest Expense. |
| Road and Bridge | General Government Expense | 125 | Membership fees posted as an Interest Expense. |
| Motor Vehicle License Tax | General Government Expense | 947 | Audit fees posted as an Interest Expense. |
| Fire Levy | General Government Expense | 380 | Audit fees posted as an interest expense. |

Other mispostings were identified but deemed immaterial. Failure to consistently follow a uniform chart of accounts increase the possibility the Township will not be able to identify, assemble, classify, record, and report its transactions correctly or to document compliance with finance-related legal and contractual requirements.

The Fiscal Officer should maintain the accounting system to enable the Township to identify, assemble, analyze, classify, record, and report all transactions and to maintain accountability. All transactions should be properly coded and classified according to the UAN chart of accounts to help ensure that financial activity of the Township is accurately recorded and reported.

Officials Response: The Fiscal Officer will consistently follow a uniform chart of accounts to ensure the Township will be able to identify, assemble, classify, record, and report its transactions correctly and to document compliance with finance-related legal and contractual obligations. The Fiscal Officer will improve the accuracy of all records by employing attention to details of all transactions according to the UAN chart of accounts.

FINDING NUMBER 2015-007

Material Weakness – Disbursement Transactions

The Township's current system for issuing checks and completing payroll and non-payroll disbursement transactions does not provide the framework by which adequate documentation is maintained or by which sufficient information is available to the Township Trustees. The following weaknesses were noted:

**FINDING NUMBER 2015-007
(Continued)**

- The Fiscal officer was circumventing the computer system and writing manual checks for payroll and nonpayroll expenditures which were not always timely posted. In some instances, manual checks were not posted to the accounting system or entered after the check cleared the bank. In other instances the Fiscal Officer was noting Electronic Funds Transfer payments were made for payroll withholdings when in fact checks were not issued until a later time to satisfy these obligations. The Trustees were not aware of this and did not have accurate financial information to make informed financial decisions;
- Manual checks were written in sequential order, however, when checks were run through the accounting system, the Fiscal Officer would assign a series of checks with the same numbers as that of the manual checks; and
- The Road Department employee paid \$100 out of pocket to a repair man for services performed rather than having the vendor issue an invoice and payment being made through issuance of a check.

These weaknesses resulted in the Township not being able to reconcile book to bank balances and could result in the misuse of public funds, errors in the reporting of disbursements in the system, and increase the risk of theft and fraud.

The Township should establish specific procedures to effectively control each disbursement transaction, including but not limited to the following:

- All checks should be issued through the township's computer system;
- All expenditure information (i.e. payee, check number, etc.) on the check issued should agree to the Township UAN Fund ledger; and
- Payments should be consistently reviewed and approved in the minute record with the total amount paid and the Fiscal Officer should provide a detailed check register for Trustee's approval.

The Board of Trustees should review the guidelines contained in the Ohio Administrative Code to guide them in establishing disbursement cycle procedures. Implementing the suggested procedures may help strengthen control over the disbursement cycle and may provide the means to help ensure disbursements are valid, accurately recorded, and paid in a timely manner.

Officials Response: The Fiscal Officer will only issue warrants through the UAN system for online payments and payroll in a timely manner. The Fiscal Officer will implement the suggested procedures to strengthen control over the disbursement cycle and provide the means to help ensure disbursements are valid, accurately recorded, and pain in a timely manner.

FINDING NUMBER 2015-008

Significant Deficiency- Timely Remittances

26 USC Sections 3102 and 3402 require the employing government to withhold federal and employment related taxes (such as Medicare and Social Security) from each employee. Furthermore, these chapters hold employers liable for reporting and payment of these taxes. In addition, **Ohio Rev. Code § 5747.06** requires every employer to withhold a tax from the employee's compensation during each calendar year an amount substantially equivalent to the tax reasonably estimated to be due from the employee under this chapter and Chapter 5748. Finally, **Ohio Rev. Code § 145.01** outline the requirements for withholding Ohio Public Employees Retirement (OPERS) amounts from a public employees payroll check.

The Township properly withheld federal and state taxes along with OPERS amounts, however, the Township failed to remit the deductions in a timely manner throughout 2015 and 2014 and amounts paid did not agree to the withholdings. In some instances, payments were not made until two to three months after the pay period and were paid with a manual check when the bank reconciliation indicated payment was made by electric fund transfer. Late charges assessed to the Township due to untimely payments were either minimal or waived. Finally, OPERS retirement payments were not correctly remitted since the Fiscal Officer was reporting wages which were not reflected in UAN as earned salaries. Failure to remit withholdings accurately and in a timely manner could result in additional late fee assessments and possible findings for recovery.

A referral will be made the Internal Revenue Service, Treasurer of the State of Ohio and the Ohio Public Employees Retirement System (OPERS).

The Township should implement procedures by which the Fiscal Officer remits withholdings to the Public Employees Retirement System, State Treasurer of Ohio and the Internal Revenue Service in a timely manner and can accurately track when all remittances are due and paid. This may help strengthen control over the township payroll cycle and may help reduce the risk of unnecessary penalties and interest, as well as duplicate payments.

Officials Response: The Fiscal Officer will be more attention to filing and payments dates to OPERS, Treasurer of the State of Ohio and the Internal Revenue service to remit in a timely manner and to reduce interest and penalties. This improve will help strengthen control over the township payroll cycle and uniform documentation.

FINDING NUMBER 2015-009

Significant Deficiency – Lack of Oversight Over Financial Transactions

Due to the small size of the Township the segregating of fiscal duties is not possible. The Township relies on the fiscal officer to record all financial activity. As a result, the Board of Trustees, as the administrative body, is responsible for performing an independent review of transactions. Fraud risks are increased as inappropriate or unauthorized transactions are permitted to occur since one individual controls the financial transactions. Moreover, lack of supervision by the Trustees has resulted in errors in the financial records, transactions not posted timely, circumventing of the accounting system, the advancing of payroll checks and the involvement of non-township officials in financial transactions.

The Board of Trustees is responsible for oversight of the financial records and transactions of the Township and should take an active role in the operations. The Trustees should review all monthly reconciliations for accuracy and ensure all transactions are recorded timely. The Trustees should ensure all transactions are run through the Township's accounting system and deposits are made timely. In addition, the Trustees should ensure Township transactions are handled by the Fiscal Officer only. Monthly fund financial reports and monthly reconciliations should be presented to Board of Trustees for their review. Implementation of these procedures may help strengthen internal control over the accounting cycle and reduce the risk of errors, fraud and/or theft.

FINDING NUMBER 2015-009
(Continued)

Officials Response: The Fiscal Officer will continue to present a monthly financial report along with bank statements. The Board of Trustees will supervise the documentation of the transactions performed by the Fiscal Officer by thoroughly reviewing the monthly financial and banking statements and reconciliations presented by said Fiscal Officer. Only elected officials will be involved in any financial transactions. The Board of Trustees will ensure that all transactions are run through the township's accounting system and that deposits are made in a timely manner to strengthen control over the accounting cycle and reduce the risk of errors, fraud, and or theft.

**BRUSH CREEK TOWNSHIP
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|---|------------------|--|
| 2013-001 | Ohio Rev. Code Section 5705.41(D) - Fiscal Officer did not properly encumber all vouchers tested. | Partially | Re-issued in management letter |
| 2013-002 | Fiscal Officer did not correctly code and classify receipt and expenditure items. | No | Re-issued as Finding 2015-006. |

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Dave Yost • Auditor of State

BRUSH CREEK TOWNSHIP

JEFFERSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 22, 2016**