



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2015 and 2014
Fiscal Years Audited Under GAGAS: 2015 and 2014



Dave Yost • Auditor of State

Board of Trustees
Brushcreek Township
PO Box 1
Sinking Springs, Ohio 45172

We have reviewed the *Independent Auditor's Report* of Brushcreek Township, Highland County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2014 through December 31, 2015. 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. Brushcreek Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 4, 2016

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Brushcreek Township
Highland County
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Independent Auditor's Report

Brushcreek Township
Highland County
PO Box 1
Sinking Springs, Ohio 45172

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and the cash balances, receipts and disbursements by fund type and related notes of Brushcreek Township, Highland 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 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.

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 Brushcreek Township, Highland County, 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 June 24, 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.

Balestra, Harr & Scherer, CPAs
Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
June 24, 2016

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Taxes	\$ 30,300	\$ 81,179	\$ 111,479
Intergovernmental	23,062	112,361	135,423
Earnings on Investments	15	56	71
Miscellaneous	425	1,078	1,503
Total Cash Receipts	<u>53,802</u>	<u>194,674</u>	<u>248,476</u>
Cash Disbursements:			
Current:			
General Government	35,666	-	35,666
Public Safety	623	22,088	22,711
Public Works	770	119,428	120,198
Health	3,653	26,230	29,883
Capital Outlay	-	17,715	17,715
Debt Service:			
Redemption of Principal	-	2,612	2,612
Interest and Fiscal Charges	-	521	521
Total Cash Disbursements	<u>40,712</u>	<u>188,594</u>	<u>229,306</u>
Net Change in Fund Cash Balances	13,090	6,080	19,170
Fund Cash Balances, January 1	<u>3,697</u>	<u>78,891</u>	<u>82,588</u>
Fund Cash Balances, December 31			
Restricted	-	84,971	84,971
Unassigned (Deficit)	<u>16,787</u>	<u>-</u>	<u>16,787</u>
Fund Cash Balances, December 31	<u>\$ 16,787</u>	<u>\$ 84,971</u>	<u>\$ 101,758</u>

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

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Taxes	\$ 28,361	\$ 77,830	\$ 106,191
Intergovernmental	11,578	123,108	134,686
Earnings on Investments	14	55	69
Miscellaneous	2,034	2,424	4,458
Total Cash Receipts	<u>41,987</u>	<u>203,417</u>	<u>245,404</u>
Cash Disbursements:			
Current:			
General Government	47,238	-	47,238
Public Safety	600	32,293	32,893
Public Works	939	107,601	108,540
Health	2,145	23,311	25,456
Capital Outlay	-	35,243	35,243
Debt Service:			
Redemption of Principal	-	2,282	2,282
Interest and Fiscal Charges	-	626	626
Total Cash Disbursements	<u>50,922</u>	<u>201,356</u>	<u>252,278</u>
Net Change in Fund Cash Balances	(8,935)	2,061	(6,874)
Fund Cash Balances, January 1	<u>12,632</u>	<u>76,830</u>	<u>89,462</u>
Fund Cash Balances, December 31			
Restricted	-	78,891	78,891
Unassigned (Deficit)	<u>3,697</u>	<u>-</u>	<u>3,697</u>
Fund Cash Balances, December 31	<u>\$ 3,697</u>	<u>\$ 78,891</u>	<u>\$ 82,588</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, 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 Brushcreek Township, Highland County (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general government services, road maintenance, cemetery maintenance, and fire protection services.

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

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.

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 the Auditor of State prescribes or permits. The 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.

C. Cash and Deposits

The township deposits all available funds in an interest earning checking account and certificates of deposit at a local commercial bank. All deposits are valued at cost.

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.

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 Funds:

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

Gasoline Tax Fund – This fund receives gasoline tax money to pay 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 property tax money from the levy for providing fire protection services to Township residents.

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 Beaver's 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. Appropriations lapse at year end.

2. 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.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

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:

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

1. Nonspendable

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

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 acquisition of property, plant and equipment when paid. The accompanying financial statements do not report these items as assets.

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

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.

2. Equity in Pooled Cash

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

	2015	2014
Demand deposits	\$101,758	\$82,588

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. Budgetary Activity

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

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 48,588	\$ 53,802	\$ 5,214
Special Revenue	205,816	194,674	(11,142)
Total	\$ 254,404	\$ 248,476	\$ (5,928)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 52,285	\$ 40,712	\$ 11,573
Special Revenue	188,594	188,594	-
Total	\$ 240,879	\$ 229,306	\$ 11,573

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

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

3. Budgetary Activity (Continued)

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 35,719	\$ 41,987	\$ 6,268
Special Revenue	250,155	203,417	(46,738)
Total	\$ 285,874	\$ 245,404	\$ (40,470)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 61,633	\$ 50,922	\$ 10,711
Special Revenue	315,296	201,356	113,940
Total	\$ 376,929	\$ 252,278	\$ 124,651

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

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

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

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

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

5. Lease and Debt

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Fire Truck Note	\$ 7,696	5.90%

The Township retired a note for a Dump Truck during 2013 that was held with NCB at an interest rate of 6.75%.

In 2013, the Township issued a five year note for the local share to purchase a fire truck. The total note issuance was \$12,590 and is to be retired from the Fire fund. This note is payable in annual installments.

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

	Fire Truck Note
Year Ending December 31:	
2016	2,908
2017	2,908
2018	2,908
Total	\$ 8,724

6. Retirement Systems

The Township's elected officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's 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.

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

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

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 risk up to an amount specified in the contracts. At December 31, 2015, OTARMA retained \$350,000 for casualty claims and \$250,000 for 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, 2015 and 2014 (the latest information available):

	<u>2015</u>	<u>2014</u>
Assets	\$ 37,313,311	\$ 35,970,263
Liabilities	<u>(8,418,518)</u>	<u>(8,912,432)</u>
Net Position	<u>\$ 28,894,793</u>	<u>\$ 27,057,831</u>

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 member and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$5,000.

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

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

7. Risk Management (Continued)

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>Township Contributions to OTARMA</u>		
2014	\$	8,600
2015		9,000

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.

8. Compliance

Contrary to Ohio Revised Code Section 117.38, we found no evidence that the required annual reports were filed with the Auditor of State.

Contrary to Ohio Revised Code Section 5705.39, the Township had several funds that had total appropriations in excess of total estimated resources.



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Brushcreek Township
Highland County
PO Box 1
Sinking Springs, Ohio 45172

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 Brushcreek Township, Highland 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 June 24, 2016 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 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 opinion 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.

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. 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.

Board of Trustees
Brushcreek Township, Highland County
Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Required by *Government Auditing Standards*
Page 2

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

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 2015-002 and 2015-003.

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.

Balestra, Harr & Scherer, CPAs
Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
June 24, 2016

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

FINDING NUMBER 2015-001

Material Weakness- Segregation of Duties

Proper internal control procedures require that various duties be segregated among different employees. The duties of collecting, recording, disposing, reconciling, and disbursing of monies should be separated. Segregation of duties helps prevent and detect errors made and helps to correct errors in a timely fashion.

There is insufficient segregation of duties in the offices of Brushcreek Township, Highland County. Specifically, we noted that the same employee posts accounting entries, prepares checks, reconciles bank accounts, prepares and makes deposits, and opens the mail for the Township.

The Township has a limited number of employees, making it impossible to achieve a proper segregation of duties. Without proper segregation of duties, the possibility of discrepancies occurring without being detected, or improper use of funds, is greatly increased.

Since there are a limited number of employees, there appears to be a limitation on what steps could be taken to properly segregate duties. The Trustees should take special care to review financial documents for possible discrepancies. We recommend that the Trustees review and sign all monthly financial reports.

Client Response:

The Client did not provide a response for the above finding.

FINDING NUMBER 2015-002

Material Noncompliance

Per Ohio Rev. Code §117.38, cash-basis entities must file annual reports with the Auditor of State. The Auditor of State may prescribe by rule or guidelines the forms for these reports. However, if the Auditor of State has not prescribed a reporting form, the public office shall submit its report on the form used by the public office. Any public office not filing the report by the required date shall pay a penalty of \$25 for each day the report remains unfiled, not to exceed \$750. The AOS may waive these penalties, upon the filing of the past due financial report.

The report shall contain the amount of: (A) receipts, and amounts due from each source; (B) expenditures for each purpose; (C) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and (D) public debt of each taxing district, the purpose of the debt, and how the debt will be repaid.

The 2014 and 2015 financial reports were not compiled and submitted to the Auditor of State as required.

Failure to not file the required financial records can lead to additional fees and not being in compliance with the previous mentioned ORC.

The Township should prepare and compile the required financial reports and submit to the Auditor of State within the required deadline.

Client Response:

The Client did not provide a response for the above finding.

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

FINDING NUMBER 2015-003

Material Noncompliance

Ohio Revised Code section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

If a government fails to receive the county auditor's certifications that appropriations do not exceed estimated resources, governments may present the appropriations passed by the legislative authority on the financial statements. No citation should be made if the government requested the county auditor's certificate and the county auditor failed to respond. However, a noncompliance citation is still appropriate if appropriations exceed estimated resources by a material amount.

The Township did not properly amend appropriations and did not acquire a "do not exceed certificate" from the County Auditor.

Failure to amend appropriations could result in overspending by the Township and non-compliance with the Ohio Revised Code.

The Township was noncompliant with 5705.39 in 2014 and 2015 in the following funds:

2014:

General and Road & Bridge.

2015:

Road & Bridge

Client Response:

The Client did not provide a response for the above finding.

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY
DECEMBER 31, 2015 AND 2014**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2013-001	Financial Reporting	Yes	Finding No Longer Valid
2013-002	ORC 117.38	No	Re-Issued - 2015-002
2013-003	ORC 5705.41(D)(1)	Yes	Finding No Longer Valid
2013-004	Segregation of Duties	No	Re-Issued - 2015-001



Dave Yost • 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
AUGUST 16, 2016**