



**Auditor of State
Betty Montgomery**

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

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**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Brushcreek Township
Highland County
P.O. Box 1
Sinking Spring, Ohio 45172

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brushcreek Township, Highland County, Ohio (the Township), as of and for the years ended December 31, 2005 and 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Brushcreek Township, Highland County, Ohio, as of December 31, 2005 and 2004, and the respective changes in cash basis cash financial position and the respective budgetary comparison for the General Fund, Gas Tax Fund, Cemetery Fund, and Fire Fund thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

For the years ended December 31, 2005 and 2004, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2006, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State

November 27, 2006

BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Unaudited)

This discussion and analysis of Brushcreek Township's financial performance provides an overall review of the Township's financial activities for the years ended December 31, 2005 and 2004, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2005 and 2004 are as follows:

In 2005, the Township's net assets increased \$43,903 or 67% over 2004. This increase was in large part due to a decrease in the Township's expenses relative to road chip and seal projects as compared to 2004. In 2004, the Township's net assets decreased \$21,531 or 25% as compared to 2003. Expenses relative to the completion of various road chip and seal work throughout the Township in 2004 resulting in an increase in total disbursements, as compared to 2003. The fund most affected by the decrease in cash and cash equivalents was the General Fund, which realized the greatest burden of increased material costs in 2004.

The Township's general receipts are primarily property and sales tax. During 2005 and 2004 these receipts represented 53% and 50% respectively of the total cash received for governmental activities. Property tax receipts for 2005 and 2004 changed very little compared to 2003 as property values showed only moderate increases. The Township's program receipts are primarily excise gas tax and permissive motor vehicle license tax. Excise tax receipts related to fuel sales increased \$10,084 or 15% in 2005 over 2004, and increased \$12,842 or 23% in 2004 over 2003. Permissive motor vehicle license tax levied by the township for 2005 and 2004 remained fairly consistent.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Unaudited)

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2005 and 2004, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the condition of the Township's capital assets, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and sales taxes.

Reporting the Government's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose.

The Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, Gas Fund, Cemetery Fund, and Fire Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Unaudited)

The Government as a Whole

Table 1 provides a summary of the Township's net assets for 2005 and 2004 on a cash basis:

(Table 1)

Net Assets

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Assets		
Cash and Cash Equivalents	\$ 109,050	\$ 65,147
Total Assets	<u>\$ 109,050</u>	<u>\$ 65,147</u>
Net Assets		
Restricted for:		
Cemetery Bequest:		
Expendable	\$ 4,077	\$ 4,077
Other Purposes	75,854	35,039
Unrestricted	<u>29,119</u>	<u>26,031</u>
Total Net Assets	<u>\$ 109,050</u>	<u>\$ 65,147</u>

As mentioned previously, net assets of governmental activities increased \$43,903 or 67% during 2005. The primary reason contributing to the increase in cash balances is as follows:

- In 2004, the Township had several roads that needed chipped and sealed costing in excess of \$36,000.
- In 2004, the Township replaced fencing at the Strait Creek Road, Countryman, and Olive Branch Cemeteries at a cost in excess of \$12,500.
- A Federal Emergency Management Agency (FEMA) grant was received in 2005 in the amount of \$5,881 to defray the cost related to an ice storm in late 2004.

BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Unaudited)

Table 2 reflects the changes in net assets in 2005 and 2004.

(Table 2)
Changes in Net Assets

	Governmental Activities 2005	Governmental Activities 2004	Variance
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$6,989	\$7,178	(\$189)
Operating Grants and Contributions	120,329	93,753	26,576
Total Program Receipts	<u>127,318</u>	<u>100,931</u>	<u>26,387</u>
General Receipts:			
Property and Other Local Taxes	86,649	76,010	10,639
to Specific Programs	19,020	18,818	202
Notes Issued	21,500	0	21,500
Interest	378	360	18
Miscellaneous	13,919	6,890	7,029
Total General Receipts	<u>141,466</u>	<u>102,078</u>	<u>39,388</u>
Total Receipts	<u>268,784</u>	<u>203,009</u>	<u>65,775</u>
Disbursements:			
General Government	37,852	37,668	184
Public Safety	25,725	23,995	1,730
Public Works	75,047	104,661	(29,614)
Health	16,636	13,410	3,226
Capital Outlay	33,020	22,458	10,562
Principal Retirement	31,987	17,437	14,550
Interest and Fiscal Charges	4,614	4,911	(297)
Total Disbursements	<u>224,881</u>	<u>224,540</u>	<u>341</u>
Increase (Decrease) in Net Assets	43,903	(21,531)	65,434
Net Assets, Beginning of Year	<u>65,147</u>	<u>86,678</u>	<u>(21,531)</u>
Net Assets, End of Year	<u>\$109,050</u>	<u>\$65,147</u>	<u>\$43,903</u>

In 2005, Program receipts represent 47% of total receipts. In 2004, Program receipts represent 50% of total receipts. Program receipts are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Unaudited)

The Government as a Whole
(Continued)

In 2005, General receipts represent 53% of the Township's total receipts. Of this amount 61% are local taxes, and 15% was note proceeds obtained to payoff a lease agreement on a tractor and mower. State and federal grants and entitlements make up the balance of the Township's general receipts (13%). In 2004, General receipts represent 50% of the Township's total receipts, and of this amount, 74% are local taxes. State and federal grants and entitlements make up the balance of the Township's general receipts (18%). Other receipts in 2005 and 2004 are insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of official's salaries and benefits, Township hall maintenance and utilities. Public Safety are the costs of providing fire protection to the residents of the Township. Health cost is the property tax deductions to the county health department, and maintenance cost of the cemeteries. Public Works are the costs of maintaining the roads, which were greater in 2004 due to chip and seal projects performed on various roads throughout the Township.

Governmental Activities

If you look at the Statement of Activities on page 10 and 18, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Government that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	Governmental Activities			
	Total Cost Of Services	Net Cost of Services	Total Cost Of Services	Net Cost of Services
	2005	2005	2004	2004
General Government	\$ 37,852	\$ (37,852)	\$ 37,668	\$ (37,668)
Public Safety	25,725	(11,288)	23,995	(19,484)
Public Works	75,047	33,787	104,661	(10,927)
Health	16,636	(12,589)	13,410	(10,724)
Capital Outlay	33,020	(33,020)	22,458	(22,458)
Debt Service	36,601	(36,601)	22,348	(22,348)
Total Expenses	\$ 224,881	\$ (97,563)	\$ 224,540	\$ (123,609)

With the increase in road work projects in 2004 and replacement of fence at the cemeteries in 2004 and 2005, the Township had to rely upon property and sales tax receipts to cover the related cost as over 55% and 43% respectively of governmental activities were supported through these general receipts.

BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Unaudited)

The Government's Funds

In 2005, total governmental funds had receipts of \$268,784 and disbursements of \$224,881. In 2004, total governmental funds had receipts of \$203,009 and disbursements of \$224,540. The greatest change within governmental funds occurred within General and Gas Funds, both of which were a result of the increased cost for road chipping and sealing in 2004. The fund balance of the General Fund decreased in 2004 \$16,022 (38%) and the fund balance of the Gas Fund decreased in 2004 \$1,950 (43%). However, in 2005 the General Fund receipts were more than disbursements by \$3,088 resulting in a fund balance increase of 12%, and the Gas Fund receipts were more than disbursements by \$27,011 resulting in a fund balance increase of 104%.

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2005 and 2004, the Township amended its General Fund budget occasionally to reflect changing circumstances. General Fund receipts received in 2005 were \$1,805 greater than was budgeted and were \$1,782 greater in 2004.

In 2005, final disbursements were budgeted at \$68,362, while actual disbursements were \$41,048. In 2004, final disbursements were budgeted at \$87,473, while actual disbursements were \$63,224. The Township kept spending below budgeted amounts as demonstrated by the reported variances, however, during 2004, receipts failed to keep pace with disbursements resulting in a fund balance decrease of \$16,022.

Capital Assets and Debt Administration

Capital Assets

The Township does not report capital assets under the cash basis of accounting.

Debt

December 31, 2005, the Township's outstanding debt included \$55,712 in general obligation notes issued for the purchase of a dump truck and tractor mower. For further information regarding the Township's debt, refer to Note 11 to the basic financial statements.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, legislative bodies, and management with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Lois Tong, Clerk, Brushcreek Township, P.O. Box 1, Sinking Spring, Ohio 45172.

BRUSHCREEK TOWNSHIP, HIGHLAND COUNTY
STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$109,050</u>
<i>Total Assets</i>	<u><u>\$109,050</u></u>
Net Assets	
Restricted for:	
Expendable	\$4,077
Other Purposes	75,854
Unrestricted	<u>29,119</u>
<i>Total Net Assets</i>	<u><u>\$109,050</u></u>

See accompanying notes to the basic financial statements

BRUSHCREEK TOWNSHIP, HIGHLAND COUNTY
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Total Governmental Activities
Governmental Activities				
General Government	\$37,852	\$0	\$0	(\$37,852)
Public Safety	25,725	0	14,437	(11,288)
Public Works	75,047	6,989	101,845	33,787
Health	16,636	0	4,047	(12,589)
Capital Outlay	33,020	0		(33,020)
Debt Service	36,601	0	0	(36,601)
<i>Total Governmental Activities</i>	<u>\$224,881</u>	<u>\$6,989</u>	<u>\$120,329</u>	(\$97,563)
		General Receipts		
		Property Taxes Levied for:		
		General Purposes	24,497	
		Other Purposes	62,152	
		Grants and Entitlements not Restricted to Specific Programs	19,020	
		Notes Issued	21,500	
		Interest	378	
		Miscellaneous	13,919	
		<i>Total General Receipts</i>	<u>141,466</u>	
		Change in Net Assets		43,903
		<i>Net Assets Beginning of Year</i>		<u>65,147</u>
		<i>Net Assets End of Year</i>		<u>\$109,050</u>

See accompanying notes to the basic financial statements

BRUSHCREEK TOWNSHIP, HIGHLAND COUNTY
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2005

	General	Gas Tax Fund	Cemetery Fund	Fire Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$29,119	\$29,604	\$19,047	\$17,494	\$13,786	\$109,050
<i>Total Assets</i>	<u>\$29,119</u>	<u>\$29,604</u>	<u>\$19,047</u>	<u>\$17,494</u>	<u>\$13,786</u>	<u>\$109,050</u>
Fund Balances						
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	\$29,119	\$0	\$0	\$0	\$0	\$29,119
Special Revenue Funds	0	29,604	19,047	17,494	13,786	79,931
<i>Total Fund Balances</i>	<u>\$29,119</u>	<u>\$29,604</u>	<u>\$19,047</u>	<u>\$17,494</u>	<u>\$13,786</u>	<u>\$109,050</u>

See accompanying notes to the basic financial statements

BRUSHCREEK TOWNSHIP, HIGHLAND COUNTY

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	General	Gas Tax Fund	Cemetery Fund	Fire Fund	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Local Taxes	\$24,497	\$0	\$28,187	\$27,280	\$13,674	\$93,638
Intergovernmental	19,020	78,176	4,047	14,437	22,501	138,181
Interest	378	378	0	0	790	1,546
Other	15	1,348	425	4,800	1,450	8,038
<i>Total Receipts</i>	<u>43,910</u>	<u>79,902</u>	<u>32,659</u>	<u>46,517</u>	<u>38,415</u>	<u>241,403</u>
Disbursements						
Current:						
General Government	37,852	0	0	0	0	37,852
Public Safety	0	0	0	25,725	0	25,725
Public Works	576	42,164	0	0	32,307	75,047
Health	2,620	0	14,016	0	0	16,636
Capital Outlay	0	1,281	17,812	13,487	440	33,020
Debt Service:						
Principal Retirement	0	31,987	0	0	0	31,987
Interest and Fiscal Charges	0	4,614	0	0	0	4,614
<i>Total Disbursements</i>	<u>41,048</u>	<u>80,046</u>	<u>31,828</u>	<u>39,212</u>	<u>32,747</u>	<u>224,881</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,862</u>	<u>(144)</u>	<u>831</u>	<u>7,305</u>	<u>5,668</u>	<u>16,522</u>
Other Financing Sources						
Notes Issued	0	21,500	0	0	0	21,500
Other Financing Sources	226	5,655	0	0	0	5,881
<i>Total Other Financing Sources</i>	<u>226</u>	<u>27,155</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>27,381</u>
<i>Net Change in Fund Balances</i>	3,088	27,011	831	7,305	5,668	43,903
<i>Fund Balances Beginning of Year</i>	<u>26,031</u>	<u>2,593</u>	<u>18,216</u>	<u>10,189</u>	<u>8,118</u>	<u>65,147</u>
<i>Fund Balances End of Year</i>	<u>\$29,119</u>	<u>\$29,604</u>	<u>\$19,047</u>	<u>\$17,494</u>	<u>\$13,786</u>	<u>\$109,050</u>

See accompanying notes to the basic financial statements

BRUSHCREEK TOWNSHIP, HIGHLAND COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL -BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$23,490	\$23,490	\$24,497	\$1,007
Intergovernmental	18,238	18,238	19,020	782
Interest	362	362	378	16
Other	15	15	15	0
<i>Total Receipts</i>	<u>42,105</u>	<u>42,105</u>	<u>43,910</u>	<u>1,805</u>
Disbursements				
Current:				
General Government	24,203	24,429	37,852	(13,423)
Public Works	800	800	576	224
Health	4,000	4,000	2,620	1,380
Capital Outlay	18,502	18,502	0	18,502
Debt Service:				0
Principal Retirement	17,831	17,831	0	17,831
Interest and Fiscal Charges	2,800	2,800	0	2,800
<i>Total Disbursements</i>	<u>68,136</u>	<u>68,362</u>	<u>41,048</u>	<u>27,314</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(26,031)	(26,257)	2,862	29,119
Other Financing Sources				
Other Financing Sources	<u>0</u>	<u>226</u>	<u>226</u>	<u>0</u>
<i>Total Other Financing Sources</i>	<u>0</u>	<u>226</u>	<u>226</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(26,031)	(26,031)	3,088	29,119
<i>Fund Balance Beginning of Year</i>	<u>26,031</u>	<u>26,031</u>	<u>26,031</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$29,119</u>	<u>\$29,119</u>

See accompanying notes to the basic financial statements

BRUSHCREEK TOWNSHIP, HIGHLAND COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL -BUDGET BASIS
GAS TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$56,747	\$58,989	\$78,176	\$19,187
Interest	275	285	378	93
Other	978	1,017	1,348	331
<i>Total Receipts</i>	<u>58,000</u>	<u>60,291</u>	<u>79,902</u>	<u>19,611</u>
Disbursements				
Current:				
Public Works	45,559	52,157	42,164	9,993
Capital Outlay	15,034	1,281	1,281	0
Debt Service:				
Principal Retirement	0	31,987	31,987	0
Interest and Fiscal Charges	0	4,614	4,614	0
<i>Total Disbursements</i>	<u>60,593</u>	<u>90,039</u>	<u>80,046</u>	<u>9,993</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(2,593)	(29,748)	(144)	29,604
Other Financing Sources				
Notes Issued	0	21,500	21,500	0
Other Financing Sources	0	5,655	5,655	0
<i>Total Other Financing Sources</i>	<u>0</u>	<u>27,155</u>	<u>27,155</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(2,593)	(2,593)	27,011	29,604
<i>Fund Balance Beginning of Year</i>	<u>2,593</u>	<u>2,593</u>	<u>2,593</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$29,604</u>	<u>\$29,604</u>

See accompanying notes to the basic financial statements

BRUSHCREEK TOWNSHIP, HIGHLAND COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL -BUDGET BASIS
 CEMETERY FUND
 FOR THE YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$27,057	\$27,057	\$28,187	\$1,130
Intergovernmental	3,885	3,885	4,047	162
Other	408	408	425	17
<i>Total Receipts</i>	<u>31,350</u>	<u>31,350</u>	<u>32,659</u>	<u>1,309</u>
Disbursements				
Current:				
Public Works	22,441	22,441	14,016	8,425
Capital Outlay	27,125	27,125	17,812	9,313
<i>Total Disbursements</i>	<u>49,566</u>	<u>49,566</u>	<u>31,828</u>	<u>17,738</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(18,216)</u>	<u>(18,216)</u>	<u>831</u>	<u>19,047</u>
<i>Fund Balance Beginning of Year</i>	<u>18,216</u>	<u>18,216</u>	<u>18,216</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$19,047</u>	<u>\$19,047</u>

See accompanying notes to the basic financial statements

BRUSHCREEK TOWNSHIP, HIGHLAND COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL -BUDGET BASIS
FIRE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$19,910	\$28,481	\$27,280	(\$1,201)
Intergovernmental	10,537	15,073	14,437	(636)
Other	3,503	5,011	4,800	(211)
<i>Total Receipts</i>	33,950	48,565	46,517	(2,048)
Disbursements				
Current:				
Public Safety	29,500	34,300	25,725	8,575
Capital Outlay	14,639	24,454	13,487	10,967
<i>Total Disbursements</i>	44,139	58,754	39,212	19,542
<i>Excess of Receipts Over (Under) Disbursements</i>	(10,189)	(10,189)	7,305	17,494
<i>Fund Balance Beginning of Year</i>	10,189	10,189	10,189	0
<i>Fund Balance End of Year</i>	\$0	\$0	\$17,494	\$17,494

See accompanying notes to the basic financial statements

BRUSHCREEK TOWNSHIP, HIGHLAND COUNTY
STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2004

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$65,147</u>
<i>Total Assets</i>	<u><u>\$65,147</u></u>
Net Assets	
Restricted for:	
Expendable	\$4,077
Other Purposes	35,039
Unrestricted	<u>26,031</u>
<i>Total Net Assets</i>	<u><u>\$65,147</u></u>

See accompanying notes to the basic financial statements

BRUSHCREEK TOWNSHIP, HIGHLAND COUNTY

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Total Governmental Activities
Governmental Activities				
General Government	\$37,668	\$0	\$0	(\$37,668)
Public Safety	23,995	0	4,511	(19,484)
Public Works	104,661	7,178	86,556	(10,927)
Health	13,410	0	2,686	(10,724)
Capital Outlay	22,458	0		(22,458)
Debt Service	22,348	0	0	(22,348)
<i>Total Governmental Activities</i>	<u>\$224,540</u>	<u>\$7,178</u>	<u>\$93,753</u>	(\$123,609)
		General Receipts		
		Property Taxes Levied for:		
		General Purposes		24,463
		Other Purposes		51,547
		Grants and Entitlements not Restricted to Specific Programs		18,818
		Interest		360
		Miscellaneous		6,890
		<i>Total General Receipts</i>		<u>102,078</u>
		Change in Net Assets		(21,531)
		<i>Net Assets Beginning of Year</i>		<u>86,678</u>
		<i>Net Assets End of Year</i>		<u>\$65,147</u>

See accompanying notes to the basic financial statements

BRUSHCREEK TOWNSHIP, HIGHLAND COUNTY

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2004

	General	Gas Tax Fund	Cemetery Fund	Fire Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$26,031	\$2,593	\$18,216	\$10,189	\$8,118	\$65,147
<i>Total Assets</i>	<u>\$26,031</u>	<u>\$2,593</u>	<u>\$18,216</u>	<u>\$10,189</u>	<u>\$8,118</u>	<u>\$65,147</u>
Fund Balances						
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	\$26,031	\$0	\$0	\$0	\$0	\$26,031
Special Revenue Funds	0	2,593	18,216	10,189	8,118	39,116
<i>Total Fund Balances</i>	<u>\$26,031</u>	<u>\$2,593</u>	<u>\$18,216</u>	<u>\$10,189</u>	<u>\$8,118</u>	<u>\$65,147</u>

See accompanying notes to the basic financial statements

BRUSHCREEK TOWNSHIP, HIGHLAND COUNTY

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	General	Gas Tax Fund	Cemetery Fund	Fire Fund	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Local Taxes	\$24,463	\$0	\$17,640	\$27,237	\$13,848	\$83,188
Intergovernmental	18,818	68,092	2,686	4,511	17,364	111,471
Interest	360	360	0	0	740	1,460
Other	3,561	0	400	0	2,929	6,890
<i>Total Receipts</i>	<u>47,202</u>	<u>68,452</u>	<u>20,726</u>	<u>31,748</u>	<u>34,881</u>	<u>203,009</u>
Disbursements						
Current:						
General Government	37,668	0	0	0	0	37,668
Public Safety	0	0	0	23,994	0	23,994
Public Works	596	68,716	0	0	35,349	104,661
Health	2,611	0	10,799	0	0	13,410
Capital Outlay	0	1,686	13,410	7,362	0	22,458
Debt Service:						
Principal Retirement	17,437	0	0	0	0	17,437
Interest and Fiscal Charges	4,912	0	0	0	0	4,912
<i>Total Disbursements</i>	<u>63,224</u>	<u>70,402</u>	<u>24,209</u>	<u>31,356</u>	<u>35,349</u>	<u>224,540</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(16,022)	(1,950)	(3,483)	392	(468)	(21,531)
<i>Fund Balances Beginning of Year</i>	<u>42,053</u>	<u>4,543</u>	<u>21,699</u>	<u>9,797</u>	<u>8,586</u>	<u>86,678</u>
<i>Fund Balances End of Year</i>	<u>\$26,031</u>	<u>\$2,593</u>	<u>\$18,216</u>	<u>\$10,189</u>	<u>\$8,118</u>	<u>\$65,147</u>

See accompanying notes to the basic financial statements

BRUSHCREEK TOWNSHIP, HIGHLAND COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL -BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$21,707	\$23,540	\$24,463	\$923
Intergovernmental	16,698	18,107	18,818	711
Interest	320	346	360	14
Other	3,160	3,427	3,561	134
<i>Total Receipts</i>	<u>41,885</u>	<u>45,420</u>	<u>47,202</u>	<u>1,782</u>
Disbursements				
Current:				
General Government	37,878	39,843	37,668	2,175
Public Safety	0	3,477	0	3,477
Public Works	744	12,744	596	12,148
Health	0	3,115	2,611	504
Debt Service:				
Principal Retirement	0	23,000	17,437	5,563
Interest and Fiscal Charges	0	5,294	4,912	382
<i>Total Disbursements</i>	<u>38,622</u>	<u>87,473</u>	<u>63,224</u>	<u>24,249</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	3,263	(42,053)	(16,022)	26,031
<i>Fund Balance Beginning of Year</i>	<u>42,053</u>	<u>42,053</u>	<u>42,053</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$45,316</u></u>	<u><u>\$0</u></u>	<u><u>\$26,031</u></u>	<u><u>\$26,031</u></u>

See accompanying notes to the basic financial statements

BRUSHCREEK TOWNSHIP, HIGHLAND COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL -BUDGET BASIS
GAS TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Intergovernmental	\$69,632	\$81,569	\$68,092	(\$13,477)
Interest	368	431	360	(71)
<i>Total Receipts</i>	<u>70,000</u>	<u>82,000</u>	<u>68,452</u>	<u>(13,548)</u>
Disbursements				
Current:				
Public Works	60,543	72,543	68,716	3,827
Capital Outlay	2,000	2,000	1,686	314
<i>Total Disbursements</i>	<u>62,543</u>	<u>74,543</u>	<u>70,402</u>	<u>4,141</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	7,457	7,457	(1,950)	(9,407)
<i>Fund Balance Beginning of Year</i>	<u>4,543</u>	<u>4,543</u>	<u>4,543</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$12,000</u>	<u>\$12,000</u>	<u>\$2,593</u>	<u>(\$9,407)</u>

See accompanying notes to the basic financial statements

BRUSHCREEK TOWNSHIP, HIGHLAND COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL -BUDGET BASIS
CEMETERY FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$17,963	\$17,963	\$17,640	(\$323)
Intergovernmental	2,735	2,735	2,686	(49)
Other	407	407	400	(7)
<i>Total Receipts</i>	<u>21,105</u>	<u>21,105</u>	<u>20,726</u>	<u>(379)</u>
Disbursements				
Current:				
Health	27,304	27,304	10,799	16,505
Capital Outlay	15,500	15,500	13,410	2,090
<i>Total Disbursements</i>	<u>42,804</u>	<u>42,804</u>	<u>24,209</u>	<u>18,595</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(21,699)</u>	<u>(21,699)</u>	<u>(3,483)</u>	<u>18,216</u>
<i>Fund Balance Beginning of Year</i>	<u>21,699</u>	<u>21,699</u>	<u>21,699</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$18,216</u></u>	<u><u>\$18,216</u></u>

See accompanying notes to the basic financial statements

BRUSHCREEK TOWNSHIP, HIGHLAND COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL -BUDGET BASIS
 FIRE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$29,122	\$29,122	\$27,237	(\$1,885)
Intergovernmental	4,823	4,823	4,511	(312)
<i>Total Receipts</i>	<u>33,945</u>	<u>33,945</u>	<u>31,748</u>	<u>(2,197)</u>
Disbursements				
Current:				
Public Safety	25,240	25,240	23,994	1,246
Capital Outlay	18,502	18,502	7,362	11,140
<i>Total Disbursements</i>	<u>43,742</u>	<u>43,742</u>	<u>31,356</u>	<u>12,386</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(9,797)</u>	<u>(9,797)</u>	<u>392</u>	<u>10,189</u>
<i>Fund Balance Beginning of Year</i>	<u>9,797</u>	<u>9,797</u>	<u>9,797</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$10,189</u></u>	<u><u>\$10,189</u></u>

See accompanying notes to the basic financial statements

BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

Note 1 – Reporting Entity

Brushcreek Township, Highland County, Ohio (The Township), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, road and bridge maintenance, cemetery maintenance, and fire protection services.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Township does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

Note 2 – Summary of Significant Accounting Policies (Continued)

The statement of net assets presents the cash balance of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are all classified as governmental.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Township's major governmental funds:

General Fund - The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

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

Cemetery Fund - This fund receives property tax money to pay for cemetery maintenance.

Fire Levy Fund - This fund receives property tax money for providing fire protection for Township residents.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

Note 2 – Summary of Significant Accounting Policies (Continued)

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs. The Township's private purpose trust fund accounts for programs that account for monies bequeath to the Township for the care and up keep of Cedar Chapel Cemetery and Beavers Cemetery.

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds. The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

Note 2 – Summary of Significant Accounting Policies (Continued)

E. Cash and Investments

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2005 and 2004, the Township invested in nonnegotiable certificates of deposit. The nonnegotiable certificates of deposit are reported at cost.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$378 and during 2004 was \$360.

F. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

G. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

H. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted net assets represent \$79,931 of total net assets of \$109,050 at December 31, 2005 and \$39,116 of total net assets of \$65,147 at December 31, 2004.

The Township’s policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

I. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. There were no interfund transfers in 2005 and 2004. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

Note 3 – Change in Basis of Accounting and Restatement of Fund Equity

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has implemented the cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and any major special revenue funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). There were no encumbrances outstanding at year end.

Note 5 – Deposits and Investments

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

Note 5 – Deposits and Investments (Continued)

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At year end, the Township had no undeposited cash on hand as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end 2005, \$15,254 of the Township's bank balance of \$115,254 was exposed to custodial credit risk. These deposits were uninsured and collateralized with a letter of credit issued by Federal Home Loan Bank held in the Township's name.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

Note 6 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2004 represent the collection of 2003 taxes. Real property taxes received in 2004 were levied after October 1, 2003, on the assessed values as of January 1, 2003, the lien date. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2004 represent the collection of 2003 taxes. Public utility real and tangible personal property taxes received in 2003 became a lien on December 31, 2002, were levied after October 1, 2003, and are collected with real property taxes. Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2004 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2004 were levied after October 1, 2003, on the true value as of December 31, 2003. Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the years ended December 31, 2004 and 2005 were \$6.20 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2004 property tax receipts were based are as follows:

Real Property	2004	2005
Residential	\$ 7,760,920	\$ 8,339,920
Agriculture	6,131,640	6,152,480
Commercial/Industrial/Mineral	201,550	196,820
Public Utility Property		
Personal	1,530,250	1,548,670
Tangible Personal Property	115,306	65,042
Total Assessed Value	<u>\$15,739,666</u>	<u>\$16,302,932</u>

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.

BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

Note 6 – Property Taxes (Continued)

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Note 7 – Risk Management

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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

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

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

Note 7 – Risk Management (Continued)

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, 2005 and 2004:

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	(12,344,576)	(11,086,379)
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>

<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	(1,406,031)	(543,176)
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

The Casualty Coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment. The Township's share of these unpaid claims is approximately \$14,494.

Note 8 – Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

Note 8 – Defined Benefit Pension Plan (Continued)

For the years ended December 31, 2005 and December 31, 2004, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2005 and 2004 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$4,850, \$6,526, and \$4,015 respectively. The full amount has been contributed for 2005, 2004 and 2003.

Note 9 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 and 2004 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases.

Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$1,430. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

Note 10 – Debt

The Township's long-term debt activity for the year ended December 31, 2005, was as follows:

	Interest Rate	Balance December 31, 2003	Additions	Reductions	Balance December 31, 2005	Due Within One Year
<u>Governmental Activities</u>						
-G.O. Note – Truck 2000 Issue (Original Amount \$59,365)	6.08%	\$ 45,219	\$ 0	\$ 11,019	\$ 34,200	\$ 6,017
-Lease Purchase Agreement 2002 Issue (Original Amount \$64,208)	5.50%	38,452	0	38,452	0	0
-G.O. Note – Tractor/Mower 2005 Issue (Original Amount \$21,512)	6.25%	0	21,512	0	21,512	5,378
		<u>\$ 83,671</u>	<u>\$ 21,512</u>	<u>\$ 49,471</u>	<u>\$ 55,712</u>	<u>\$ 11,395</u>

The unsecured general obligation note issued in 2000 was to finance the purchase of a new dump truck to be used for road maintenance. The lease purchase agreement entered into in 2002 was for a tractor and boom mower to be used for road maintenance. The lease purchase agreement was paid in full in 2005 through the issuance of a unsecured general obligation note.

The following is a summary of the Township's future annual debt service requirements:

Year	G.O. Notes Truck		G.O. Notes Tractor/Mower		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 6,017	\$ 2,079	\$ 5,378	876	\$ 11,395	\$ 2,955
2007	6,383	1,713	5,378	876	11,761	2,589
2008	6,771	1,325	5,378	876	12,149	2,201
2009	7,183	914	5,378	876	12,561	1,790
2010	7,846	477	0	0	7,846	477
	<u>\$ 34,200</u>	<u>\$ 6,508</u>	<u>\$ 21,512</u>	<u>\$ 3,504</u>	<u>\$ 55,712</u>	<u>\$ 10,012</u>

The Ohio Revised Code provides that net general obligation debt of the Township, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Township. The Revised Code further provides that total voted and unvoted net debt of the Township less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2005, were an overall debt margin of \$1,656,096 and an unvoted debt margin of \$ 840,949.

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Auditor of State Betty Montgomery

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

Brushcreek Township
Highland County
P.O. Box 1
Sinking Spring, Ohio 45172

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brushcreek Township, Highland County, Ohio (the Township), as of and for the years ended December 31, 2005 and 2004, which collectively comprise the Township's basic financial statements and have issued our report thereon dated November 27, 2006, wherein, we noted the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. However, in a separate letter to the Township's management dated November 27, 2006, we reported an matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Township's management dated November 27, 2006, we reported other matters related to noncompliance we deemed immaterial.

Brushcreek Township
Highland County
Independent Accountants' Report on Compliance and on
Internal Control Required by Government Auditing Standards
Page 2

We intend this report solely for the information and use of the management, and Board of Trustees. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

November 27, 2006



**Auditor of State
Betty Montgomery**

88 East Broad Street
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800-282-0370

Facsimile 614-466-4490

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
DECEMBER 14, 2006**