

Brush Creek Township  
Adams County, Ohio

Regular Audit

For the years ended December 31, 2010 and 2009  
Fiscal Years Audited Under GAGAS: 2010 and 2009



**Balestra, Harr & Scherer, CPAs, Inc.**

---

528 South West St, P.O. Box 687, Piketon, Ohio 45661 Phone: 740.289.4131 Fax: 740.289.3639  
9076 Ohio River Rd. Wheelersburg, Ohio 45694 Phone: 740.876.9121 Fax: 800.210.2573





# Dave Yost • Auditor of State

Board of Trustees  
Brush Creek Township  
680 Rhodes Road  
Lynx, Ohio 45693

We have reviewed the *Independent Auditor's Report* of Brush Creek Township, Adams County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2009 through December 31, 2010. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

May 5, 2011

**This Page is Intentionally Left Blank.**

Brush Creek Township  
Adams County, Ohio  
For the Years Ended December 31, 2010 and 2009  
Table of Contents

Title	Page
Independent Auditor's Report .....	1
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Governmental Funds - For the Year Ended December 31, 2010 .....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Governmental Funds - For the Year Ended December 31, 2009 .....	4
Notes to the Financial Statements .....	5
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	11
Schedule of Prior Audit Findings .....	13



### Independent Auditor's Report

Board of Trustees  
Brush Creek Township  
Adams County  
680 Rhodes Road  
Lynx, Ohio 45650

We have audited the accompanying financial statements of Brush Creek Township, Adams County, Ohio, (the Township) as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

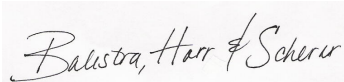
In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2010 and 2009, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Brush Creek Township, Adams County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

Board of Trustees  
Brush Creek Township  
Adams County  
Independent Auditors' Report

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2011, 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.



Balestra, Harr & Scherer, CPAs, Inc.

April 5, 2011

**Brush Creek Township, Adams County**  
*Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2010*

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>Receipts</b>			
Property and Other Local Taxes	\$ 8,721	\$ 8,221	\$ 16,942
Intergovernmental	18,891	98,612	117,503
Interest	58	124	182
Other	4,250	1,228	5,478
<i>Total Receipts</i>	<u>31,920</u>	<u>108,185</u>	<u>140,105</u>
<b>Disbursements</b>			
Current:			
General Government	24,497	-	24,497
Public Safety	2,589	-	2,589
Public Works	401	86,699	87,100
Health	3,744	11,791	15,535
Capital Outlay	25,000	25,000	50,000
Debt Service:			
Principal Retirement	523	523	1,046
Interest and Fiscal Charges	743	743	1,486
<i>Total Disbursements</i>	<u>57,497</u>	<u>124,756</u>	<u>182,253</u>
<i>Excess of Receipts Over / (Under) Disbursements</i>	<u>(25,577)</u>	<u>(16,571)</u>	<u>(42,148)</u>
<b>Other Financing Sources (Uses)</b>			
Sale of Notes	25,000	25,000	50,000
<i>Total Other Financing Sources (Uses)</i>	<u>25,000</u>	<u>25,000</u>	<u>50,000</u>
<i>Net Change in Fund Balances</i>	(577)	8,429	7,852
<i>Fund Balances - Beginning of Year</i>	<u>11,795</u>	<u>104,753</u>	<u>116,548</u>
<i>Fund Balances - End of Year</i>	<u>\$ 11,218</u>	<u>\$ 113,182</u>	<u>\$ 124,400</u>

See accompanying notes to the financial statements.



**Brush Creek Township, Adams County**  
*Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2009*

---

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>Receipts</b>			
Property and Other Local Taxes	\$ 10,165	\$ 9,340	\$ 19,505
Intergovernmental	19,006	101,959	120,965
Interest	83	158	241
Other	3,134	2,074	5,208
<i>Total Receipts</i>	32,388	113,531	145,919
<b>Disbursements</b>			
Current:			
General Government	27,918	-	27,918
Public Safety	2,594	-	2,594
Public Works	159	97,505	97,664
Health	8,787	7,854	16,641
<i>Total Disbursements</i>	39,458	105,359	144,817
<i>Excess of Receipts Over / (Under) Disbursements</i>	(7,070)	8,172	1,102
<i>Fund Balances - Beginning of Year</i>	18,865	96,581	115,446
<i>Fund Balances - End of Year</i>	\$ 11,795	\$ 104,753	\$ 116,548

See accompanying notes to the financial statements.

**BRUSH CREEK TOWNSHIP  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2010 AND 2009**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Brush Creek Township, Adams County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with the Village of West Union to provide fire protection services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) which is an insurance risk-sharing pool available to Ohio Townships. Note 7 provides additional information regarding this entity.

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 Deposit**

The Township maintains a cash deposit pool used by all funds. All Township funds are maintained in an interest-bearing checking account with a local commercial bank.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

Gasoline Tax Fund – This fund receives gasoline tax money to pay constructing, maintaining, and repairing township roads.

**BRUSH CREEK TOWNSHIP  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2010 AND 2009**

**1. Summary of Significant Accounting Policies (Continued)**

**E. Budgetary Process**

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

**1. Appropriations**

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

A summary of 2010 and 2009 budgetary activity appears in Note 3.

**F. 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.

**2. Equity in Pooled Cash Deposits**

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

	<u>2010</u>	<u>2009</u>
Demand deposits	<u>\$124.400</u>	<u>\$116.548</u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

**BRUSH CREEK TOWNSHIP  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2010 AND 2009**

**3. Budgetary Activity**

Budgetary activity for the years ending 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 53,634	\$ 56,920	\$ 3,286
Special Revenue	132,891	133,185	294
Total	<u>\$ 186,525</u>	<u>\$ 190,105</u>	<u>\$ 3,580</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 65,429	\$ 57,497	\$ 7,932
Special Revenue	237,644	124,756	112,888
Total	<u>\$ 303,073</u>	<u>\$ 182,253</u>	<u>\$ 120,820</u>

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 31,888	\$ 32,388	\$ 500
Special Revenue	118,549	113,531	(5,018)
Total	<u>\$ 150,437</u>	<u>\$ 145,919</u>	<u>\$ (4,518)</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 50,932	\$ 39,458	\$ 11,474
Special Revenue	215,469	105,359	110,110
Total	<u>\$ 266,401</u>	<u>\$ 144,817</u>	<u>\$ 121,584</u>

**BRUSH CREEK TOWNSHIP  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2010 AND 2009**

**4. Property Tax**

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

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

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

**5. Debt**

Debt outstanding at December 31, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
School House Loan	\$ 48,954	4.50%

The note agreement was entered into on May 1, 2010 to finance the purchase of a building to be used to hold Township meetings as well as to store Township equipment. The note is collateralized by the property.

**6. Retirement Systems**

Township officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, which include postretirement healthcare and survivor and disability benefits as prescribed by the Ohio Revised Code.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, 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, 2010.

**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 Workers' Compensation.

**BRUSH CREEK TOWNSHIP  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2010 AND 2009**

**7. Risk Management (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 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

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2009, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with the generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008 (the latest information available):

	<b>2009</b>	<b>2008</b>
Assets	\$ 38,982,088	\$ 40,737,740
Liabilities	(12,880,766)	(12,981,818)
Net Assets	\$ 26,101,322	\$ 27,755,922

At December 31, 2009 and 2008, respectively, casualty coverage liabilities noted above include approximately \$12.0 million and \$12.1 million of estimated incurred claims payable. The assets above also include approximately \$11.5 and \$10.9 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Township's share of these unpaid claims collectible in future years is approximately \$5,300.

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.

**BRUSH CREEK TOWNSHIP  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2010 AND 2009**

**7. Risk Management (Continued)**

The Township's contributions to OTARMA for the past three years are as follows:

<u>Year</u>	<u>Contribution</u>
2008	\$ 2,041
2009	\$ 2,374
2010	\$ 2,929

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



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

Board of Trustees  
Brush Creek Township  
Adams County  
680 Rhodes Road  
Lynx, Ohio 45650

We have audited the financial statements of Brush Creek Township, Adams County, Ohio, (the Township) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated April 5, 2011 wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

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 combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

**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*.



Board of Trustees  
Brush Creek Township  
Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Required by *Government Auditing Standards*  
Page 2

We did note certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated April 5, 2011.

We intend this report solely for the information and use of management, the Board of Trustees and others within the Township. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.  
April 5, 2011

**BRUSH CREEK TOWNSHIP  
ADAMS COUNTY  
DECEMBER 31, 2010 AND 2009**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

---

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2008-001	ORC Section 5705.41(D) properly encumbering funds	Yes	



# Dave Yost • Auditor of State

**BRUSH CREEK TOWNSHIP**

**ADAMS 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  
MAY 17, 2011**