



OHIO AUDITOR OF STATE  
**KEITH FABER**





**BRUSH CREEK TOWNSHIP  
MUSKINGUM COUNTY  
DECEMBER 31, 2020 AND 2019**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2020 .....	3
Notes to the Basic Financial Statements for the Year Ended December 31, 2020.....	5
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2019 .....	11
Notes to the Basic Financial Statements for the Year Ended December 31, 2019.....	13
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	19
Schedule of Findings.....	21
Summary Schedule of Prior Audit Findings (Prepared by Management).....	25

**This page intentionally left blank.**



**INDEPENDENT AUDITOR'S REPORT**

Brush Creek Township  
Muskingum County  
6170 Stovertown Drive  
Philo, Ohio 43771

To the Board of Trustees:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each governmental fund type as of and for the years ended December 31, 2020 and 2019 and the related notes of the Brush Creek Township, Muskingum County, Ohio (the Township).

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

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

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township, as of December 31, 2020 and 2019, and the respective changes in financial position thereof for the year then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental fund type as of and for the year ended December 31, 2020 and 2019 and related notes of the Township, in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code 117- 2-03(D) permits, described in Note 2.

***Emphasis of Matters***

As discussed in Note 11 to the financial statements for 2020 and 2019, the financial impact of COVID-19 may impact subsequent periods of the Township. We did not modify our opinion regarding this matter

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2022 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

March 28, 2022

**BRUSH CREEK TOWNSHIP  
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$138,230	\$341,217	\$479,447
Charges for Services	500	0	500
Intergovernmental	28,175	229,513	257,688
Earnings on Investments	1,366	3,456	4,822
Miscellaneous	417	3,444	3,861
<i>Total Cash Receipts</i>	<u>168,688</u>	<u>577,630</u>	<u>746,318</u>
<b>Cash Disbursements</b>			
Current:			
General Government	113,763	37,332	151,095
Public Safety	22,882	0	22,882
Public Works	1,824	218,606	220,430
Health	0	73,000	73,000
Capital Outlay	42,131	9,200	51,331
<i>Total Cash Disbursements</i>	<u>180,600</u>	<u>338,138</u>	<u>518,738</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(11,912)</u>	<u>239,492</u>	<u>227,580</u>
<b>Other Financing Receipts</b>			
Sale of Capital Assets	0	1,000	1,000
<i>Total Other Financing Receipts</i>	<u>0</u>	<u>1,000</u>	<u>1,000</u>
<i>Net Change in Fund Cash Balances</i>	(11,912)	240,492	228,580
<i>Fund Cash Balances, January 1</i>	<u>205,169</u>	<u>563,523</u>	<u>768,692</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$193,257</u></u>	<u><u>\$804,015</u></u>	<u><u>\$997,272</u></u>

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

**This page intentionally left blank.**



**Brush Creek Township**  
*Muskingum County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

---

**Note 1 – Reporting Entity**

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

***Public Entity Risk Pool***

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 7 to the financial statements provide additional information for this entity.

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**

***Basis of Presentation***

The Township’s financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, which are organized on a fund type basis.

***Fund Accounting***

The Township uses funds 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. The funds of the Township are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

***Gas Tax Fund*** The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

***Motor Vehicle License Tax Fund*** The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

***Road and Bridge Fund*** The road and bridge fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

**Brush Creek Township**  
*Muskingum County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

---

**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code 117-2-03(D) permit.

***Budgetary Process***

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

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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

***Encumbrances*** The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2020 budgetary activity appears in Note 4.

***Deposits***

The Township pools all available funds of the Township in an interest-bearing checking account.

***Capital Assets***

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

**Note 3 – Compliance**

Contrary to Ohio law, the Township did not pass a permanent appropriation measure for 2019 or 2020.

**Brush Creek Township**  
*Muskingum County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$166,631	\$168,688	\$2,057
Special Revenue	610,437	578,630	(31,807)
<b>Total</b>	<b>\$777,068</b>	<b>\$747,318</b>	<b>(\$29,750)</b>

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$180,600	(\$180,600)
Special Revenue	0	338,138	(338,138)
<b>Total</b>	<b>\$0</b>	<b>\$518,738</b>	<b>(\$518,738)</b>

**Note 5 – Deposits**

To improve cash management, cash received by the Township is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Township’s deposit account is as follows:

Demand deposits	2020 \$997,272
-----------------	-------------------

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation.

**Note 6 – Property Taxes**

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

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

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

**Brush Creek Township**  
*Muskingum County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

---

**Note 7 – Risk Management**

***Workers' Compensation***

Workers' Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2020</u>
Cash and investments	\$36,348,066
Actuarial liabilities	\$ 10,894,146

**Note 8 – Defined Benefit Pension Plan**

***Ohio Public Employees Retirement System***

Some Township employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2020.

***Social Security***

One Township employee contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

**Brush Creek Township**  
*Muskingum County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

---

**Note 8 – Defined Benefit Pension Plan (Continued)**

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2020.

**Note 9 – Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2020.

**Note 10 – Contingent Liabilities**

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

**Note 11 - COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Township. The impact on the Township's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

**This page intentionally left blank.**

**BRUSH CREEK TOWNSHIP  
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$142,942	\$353,369	\$496,311
Intergovernmental	29,270	254,989	284,259
Earnings on Investments	649	170	819
Miscellaneous	0	11,311	11,311
<i>Total Cash Receipts</i>	<u>172,861</u>	<u>619,839</u>	<u>792,700</u>
<b>Cash Disbursements</b>			
Current:			
General Government	56,730	8,597	65,327
Public Safety	16,722	0	16,722
Public Works	1,824	304,444	306,268
Health	4,592	80,000	84,592
<i>Total Cash Disbursements</i>	<u>79,868</u>	<u>393,041</u>	<u>472,909</u>
<i>Excess of Cash Receipts Over Cash Disbursements</i>	<u>92,993</u>	<u>226,798</u>	<u>319,791</u>
<b>Other Financing Disbursements</b>			
Other Financing Uses	(27)	0	(27)
<i>Total Other Financing Disbursements</i>	<u>(27)</u>	<u>0</u>	<u>(27)</u>
<i>Net Change in Fund Cash Balances</i>	92,966	226,798	319,764
<i>Fund Cash Balances, January 1</i>	<u>112,203</u>	<u>336,725</u>	<u>448,928</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	563,523	563,523
Assigned	205,169	0	205,169
<i>Fund Cash Balances, December 31</i>	<u><u>\$205,169</u></u>	<u><u>\$563,523</u></u>	<u><u>\$768,692</u></u>

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

**This page intentionally left blank.**



**Brush Creek Township**  
*Muskingum County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

---

**Note 1 – Reporting Entity**

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

***Public Entity Risk Pool***

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 7 to the financial statements provide additional information for this entity.

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**

***Basis of Presentation***

The Township’s financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, which are organized on a fund type basis.

***Fund Accounting***

The Township uses funds 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. The funds of the Township are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

***Gas Tax Fund*** The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

***Motor Vehicle License Tax Fund*** The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

***Road and Bridge Fund*** The road and bridge fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

**Brush Creek Township**  
*Muskingum County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

---

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code 117-2-03(D) permit.

***Budgetary Process***

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

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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

***Encumbrances*** The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2019 budgetary activity appears in Note 4.

***Deposits***

The Township pools all available funds of the Township in an interest-bearing checking account and a certificate of deposit.

***Capital Assets***

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

***Fund Balance***

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

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

**Brush Creek Township**  
*Muskingum County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

---

**Note 2 – Summary of Significant Accounting Policies (Continued)**

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

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

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

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

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

**Note 3 – Compliance**

Contrary to Ohio law, the Township Board of Trustees failed to pass a permanent appropriation measure for 2019.

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2019 follows:

Fund Type	2019 Budgeted vs. Actual Receipts		Variance
	Budgeted Receipts	Actual Receipts	
General	\$157,000	\$172,861	\$15,861
Special Revenue	553,996	619,839	65,843
Total	\$710,996	\$792,700	\$81,704

**Brush Creek Township**  
*Muskingum County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

**Note 4 – Budgetary Activity**

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$79,895	(\$79,895)
Special Revenue	0	393,041	(393,041)
Total	\$0	\$472,936	(\$472,936)

**Note 5 – Deposits**

To improve cash management, cash received by the Township is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Township’s deposit account is as follows:

Demand deposits	2019 \$768,692
-----------------	-------------------

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation.

**Note 6 – Property Taxes**

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

Public utilities are also taxed on personal and real property located within the Township. The County is responsible for assessing property and for billing, collecting, and distributing all property taxes on behalf of the Township.

**Note 7 – Risk Management**

***Workers’ Compensation***

Workers’ Compensation coverage is provided by the State of Ohio. The Township pays the State Workers’ Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township’s policy. The Pool covers the following risks:

**Brush Creek Township**  
*Muskingum County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

---

**Note 7 – Risk Management (Continued)**

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2019</u>
Cash and investments	\$35,207,320
Actuarial liabilities	\$ 10,519,942

**Note 8 – Defined Benefit Pension Plan**

***Ohio Public Employees Retirement System***

Some Township employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2019.

***Social Security***

One Township employee contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2019.

**Note 9 – Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients.

**Brush Creek Township**  
*Muskingum County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

---

**Note 9 – Postemployment Benefits (Continued)**

The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2019.

**Note 10 – Contingent Liabilities**

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

**Note 11 – Subsequent Event**

**COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Township. The impact on the Township's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

# OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street  
Columbus, Ohio 43215  
ContactUs@ohioauditor.gov  
(800) 282-0370

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

Brush Creek Township  
Muskingum County  
6170 Stovertown Drive  
Philo, Ohio 43771

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements for each governmental fund type as of and for the years ended December 31, 2020 and 2019, and related notes of Brush Creek Township, Muskingum County, Ohio (the Township), and have issued our report thereon dated March 28, 2022, wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code 117-2-03(D) permit. We also noted the financial impact of COVID-19, which may impact subsequent periods of the Township.

### ***Internal Control Over Financial Reporting***

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

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider findings 2020-002 through 2020-005 to be material weaknesses.

***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 financial statement. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2020-001 and 2020-002.

***Purpose of this Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio

March 28, 2022



**BRUSH CREEK TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2020 AND 2019**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2020-001**

**Noncompliance/Finding Repaid Under Audit – Robert Pletcher**

26 U.S.C. § 3403 states that the employer shall be liable for the payment of the tax required to be deducted and withheld under this chapter, and shall not be liable to any person for the amount of any such payment

Ohio Rev. Code § 5747.07 requires an employing government to remit taxes which it withheld pursuant to Ohio Rev. Code § 5705.06 (including the state payroll tax) to the appropriate authority. It also requires the employing government to report compensation paid and taxes withheld to the tax commissioner and to each of its own employees by January 31 of each year.

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper “Public Purpose” states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

During 2019, the Township made payments of penalties and interest to the Internal Revenue Service in the amount of \$412 for late remittance of September 2019 federal withholdings and to the Ohio Department of Taxation in the amount of \$417 for late remittance of first quarter of 2019 state withholdings. Payments for penalties and interest late fees of \$829 do not serve a proper public purpose

In accordance with the foregoing facts, and pursuant to the Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Robert Pletcher, Township Fiscal Officer, and in favor of Brush Creek Township, Muskingum County’s General Fund in the amount of \$829.

On March 15, 2022, Robert Pletcher issued a check in the amount of \$829 to the Township. This finding for recovery is considered repaid under audit and resolved.

**FINDING NUMBER 2020-002**

**Noncompliance/Material Weakness**

Ohio Rev. Code § 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

The Board of Trustees adopted a temporary budget on December 2018 for 2019 and did not adopt a permanent appropriation measure for 2019. During December 2019, the Board of Trustees adopted a temporary budget for 2020 but did not adopt a permanent appropriation measure for 2020. As a result, all expenditures during the audit period lacked legal appropriation authority.

**BRUSH CREEK TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2020 AND 2019  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
--

**FINDING NUMBER 2020-002 (Continued)**

**Noncompliance/Material Weakness (Continued)**

The Board of Trustees should adopt permanent appropriations of the Township by April 1. This approval should be documented in the minutes and an appropriation resolution should be included with the signatures of the Trustees and the date the resolution was approved. Further, the approved appropriation resolution with the Trustees' signatures and date of approval should be certified to the County Auditor.

**FINDING NUMBER 2020-003**

**Material Weakness**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Township did not properly classify its December 31, 2019 governmental fund cash balances in accordance with Governmental Accounting Standards Board (GASB) *Statement Number 54 - Fund Balance Reporting and Governmental Fund Type Definitions*, effective for fiscal years beginning after June 15, 2010.

During 2019, we noted the following:

- The Township incorrectly posted property taxes at net and should have been posted at gross in the amount of \$2,406 within the General Fund and \$5,924 within the Special Revenue funds.
- The Township overstated receipts and expenditures within the Road & Bridge fund of \$74,500 and within the General Fund of \$125,500. The overstatements were due to the Township transferring \$200,000 from the PNC bank account to the Community bank account. This amount should not be shown as a receipt or expenditure.
- The Township posted a FEMA receipt, in the amount of \$29,495, twice in the Road and Bridge, Special Revenue Fund.

During 2020, we noted the following:

- The Township incorrectly posted property taxes at net and should have been posted at gross in the amount of \$2,785 within the General Fund and \$5,694 within the Special Revenue funds.
- Posting errors in the General Fund, in the amount of \$1,327 were noted on the bank reconciliations.

These adjustments were due to limited oversight by management. The significant adjustments were posted to the financial statements and the accounting system of the Township.

The Township should adopt control procedures for the review of postings made by the Fiscal Officer.

**BRUSH CREEK TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2020 AND 2019  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
--

**FINDING NUMBER 2020-004**

**Material Weakness**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Ohio Township Handbook (revised March 2019) provides suggested account classifications. These accounts classify receipts by fund and source (property taxes or intergovernmental revenue, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records will provide the Township with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

The Township did not always record receipts into accurate classifications based upon the source of the receipt.

The Fiscal Officer posted certain expenditure transactions incorrectly resulting in material audit reclassifications.

During the audit period, we noted the following receipt classification errors:

- During 2020, the Fiscal Officer misclassified \$42,590 as Other Financing Uses and should have been classified as Capital Outlay in the amount of \$42,130 and General Government in the amount of \$460.
- During 2019, the Fiscal Officer misclassified the fund balance at the end of the year in the amount of \$205,388 as unassigned and should have been classified as assigned.

The Fiscal Officer should refer to the Ohio Township Handbook for proper receipt classification to ensure the Township's accounting system and year-end financial statements are properly reported. These significant reclassifications, with which management agrees, were posted to the financial statements of the Township.

**FINDING NUMBER 2020-005**

**Material Weakness - Bank Reconciliation**

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to the accounting system records (book) is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

**BRUSH CREEK TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2020 AND 2019  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
--

**FINDING NUMBER 2020-005 (Continued)**

**Material Weakness - Bank Reconciliation (Continued)**

The Fiscal Officer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Board of Trustees and/or other administrator are responsible for reviewing the reconciliations and related support.

Monthly bank to book reconciliations were prepared but not reviewed each month of 2020 and 2019. Failure to reconcile monthly increases the possibility that the Township will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The Fiscal Officer should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, the Board/Council should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

Our testing of the December 31, 2020 reconciliation found that two outstanding checks were voided or reissued and should have been removed from outstanding checklist. Four outstanding checks have been on outstanding checklist greater than 90 days and should be removed or reissued.

The Fiscal Officer prepared monthly bank reconciliations during the audit period but they consistently had errors noted for each month. The Township hired a consultant to reconcile the Township and she proposed adjustments for December 31, 2020 and 2019 bank reconciliations in the amounts of \$1,379 and \$29,465, respectively. The Township made the 2020 and 2019 adjustments on February 22, 2022. Our review of the adjustments confirmed the Township reconciled for the audit period after the proposed adjustments were made.

**Officials' Response**

We did not receive a response from the Officials to the findings reported above.

# Brush Creek Township

Muskingum County  
6010 Stovertown Road  
Philo, Ohio 43771

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS December 31, 2020 and 2019

Finding Number	Finding Summary	Status	Additional Information
2018-001	Ohio Rev. Code § 5705.10(D) Rollback and Homestead monies posted to General Fund instead of Road & Bridge	Corrected	
2018-002	Ohio Rev. Code § 5705.38 and 5705.41(B) permanent appropriations were not approved in the minutes	Not Corrected	Repeated as Finding 2020-002
2018-003	Ohio Rev. Code § 5705.41(B) funds had expenditures which exceeded appropriations	Not Corrected	Repeated as Finding 2020-002
2018-004	Noncompliance – Ohio Rev. Code § 5705.41(D) – 100% of the expenditures tested for 2018 and 2017 were not properly encumbered.	Partially Corrected	Repeated as a Management Letter issue.
2018-005	Material Weakness – Receipts, expenditures and fund balances not properly classified.	Not Corrected	Repeated as Findings 2020-003 and 2020-004.
2018-006	Appropriations in the Township's ledgers did not agree to the amounts approved by the Board of Trustees.	Partially Corrected	Repeated as Finding 2020-002
2018-007	Ohio Rev. Code § 117.38 Township did not file their financial information timely in Hinkle System for 2020 and 2019.	Not Corrected	Repeated as Management Letter issue.

# OHIO AUDITOR OF STATE KEITH FABER



**BRUSH CREEK TOWNSHIP**

**MUSKINGUM COUNTY**

## **AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 4/12/2022**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)