



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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 Brushcreek Township, Highland County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Board and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

June 18, 2002

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
Cash Receipts:				
Local Taxes	\$ 22,187	\$ 34,727	\$ 0	\$ 56,914
Intergovernmental	52,720	69,256	0	121,976
Earnings on Investments	258	713	150	1,121
Other Revenue	<u>822</u>	<u>6,486</u>	<u>0</u>	<u>7,308</u>
 Total Cash Receipts	 <u>75,987</u>	 <u>111,182</u>	 <u>150</u>	 <u>187,319</u>
Cash Disbursements:				
Current:				
General Government	35,550	0	0	35,550
Public Safety	0	14,961	0	14,961
Public Works	500	86,584	0	87,084
Health	2,342	5,266	0	7,608
Capital Outlay	0	23,112	0	23,112
Debt Service:	0	0	0	
Note Principal Payment	6,253	0	0	6,253
Interest and Fiscal Charges	<u>4,057</u>	<u>0</u>	<u>0</u>	<u>4,057</u>
 Total Cash Disbursements	 <u>48,702</u>	 <u>129,923</u>	 <u>0</u>	 <u>178,625</u>
 Total Receipts Over/(Under) Disbursements	 <u>27,285</u>	 <u>(18,741)</u>	 <u>150</u>	 <u>8,694</u>
 Fund Cash Balances, January 1	 <u>52,377</u>	 <u>43,710</u>	 <u>3,778</u>	 <u>99,865</u>
 Fund Cash Balances, December 31	 <u>\$ 79,662</u>	 <u>\$ 24,969</u>	 <u>\$ 3,928</u>	 <u>\$ 108,559</u>
 Reserve for Encumbrances, December 31	 <u>\$ 0</u>	 <u>\$ 16,639</u>	 <u>\$ 0</u>	 <u>\$ 16,639</u>

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

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			Totals
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	<u>(Memorandum Only)</u>
Cash Receipts:				
Local Taxes	\$ 20,128	\$ 35,100	\$ 0	\$ 55,228
Intergovernmental	19,939	68,684	0	88,623
Earnings on Investments	265	929	138	1,332
Other Revenue	89	3,796	0	3,885
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	40,421	108,509	138	149,068
Cash Disbursements:				
Current:				
General Government	22,307	0	0	22,307
Public Safety	0	11,829	0	11,829
Public Works	199	77,882	0	78,081
Health	2,594	6,203	0	8,797
Capital Outlay	60,940	7,929	0	68,869
Miscellaneous	0	0	100	100
Debt Service:				
Redemption of Principal	1,542	0	0	1,542
Interest and Fiscal Charges	273	0	0	273
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	87,855	103,843	100	191,798
Total Receipts Over/(Under) Disbursements	<hr/> (47,434)	<hr/> 4,666	<hr/> 38	<hr/> (42,730)
Other Financing Receipts/(Disbursements):				
Sale of Notes	59,365	0	0	59,365
Total Other Financing Receipts/(Disbursements)	<hr/> 59,365	<hr/> 0	<hr/> 0	<hr/> 59,365
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	11,931	4,666	38	16,635
Fund Cash Balances, January 1 (Restated) See Note 8	<hr/> 40,446	<hr/> 39,044	<hr/> 3,740	<hr/> 83,230
Fund Cash Balances, December 31	<u>\$ 52,377</u>	<u>\$ 43,710</u>	<u>\$ 3,778</u>	<u>\$ 99,865</u>

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

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Brushcreek Township, Highland County, Ohio (the Township), is a body corporate and politic 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 Township provides road 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.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Deposits

The Township invests all available funds in a public funds interest checking account and certificates of deposit with a local commercial bank. Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

Motor Vehicle License Tax Fund - This fund receives motor vehicle license tax money for constructing, maintaining and repairing Township roads.

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

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

Cemetery Levy Fund - This fund receives the proceeds from a tax levy for providing cemetery maintenance.

Fire Levy Fund - This fund receives the proceeds from a tax levy for providing fire protections for Township residents.

Permissive Motor Vehicle License Tax Fund - This fund receives proceeds from the permissive motor vehicle license tax levied by Highland County on all motor vehicle licenses sold in the Township for constructing, maintaining and repairing Township roads.

3. Fiduciary Funds (Nonexpendable Trust Funds)

These funds are used to account for resources restricted by legally binding trust agreements. The agreements require the Township to maintain the corpus of the trusts; therefore, the fund is classified as a nonexpendable trust fund. The Township's nonexpendable trust funds are used to account for the funds held in trust for specific uses in the cemetery. Only the interest earnings can be expended.

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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND DEPOSITS

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

	2001	2000
Demand deposits	\$106,037	\$97,343
Certificates of deposit	2,522	2,522
Total deposits and investments	\$108,559	\$99,865

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$73,293	\$75,987	\$2,694
Special Revenue	128,585	111,182	(17,403)
Fiduciary	200	150	(50)
Total	\$202,078	\$187,319	(\$14,759)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$125,669	\$48,702	\$76,967
Special Revenue	172,296	146,562	25,734
Fiduciary	3,978	0	3,978
Total	\$301,943	\$195,264	\$106,679

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$96,280	\$99,786	\$3,506
Special Revenue	120,202	108,509	(11,693)
Fiduciary	200	138	(62)
Total	\$216,682	\$208,433	(\$8,249)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$136,726	\$87,855	\$48,871
Special Revenue	159,246	103,843	55,403
Fiduciary	3,940	100	3,840
Total	\$299,912	\$191,798	\$108,114

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, 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.

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, 2001 was as follows:

	Principal	Interest Rate
General Obligation Note	\$54,928	6.08%

The general obligation note was issued in 2000 to finance the purchase of a new dump truck to be used for Township road maintenance. Amortization of the note, including interest, is scheduled as follows:

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. DEBT (Continued)

Year ending December 31:	General Obligation Notes
2002	\$8,096
2003	8,096
2004	8,096
2005	8,096
2006-2010	40,567
Total	\$72,951

6. RETIREMENT SYSTEMS

The Township's elected officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Township has paid all contributions required through December 31, 2001.

7. RISK MANAGEMENT

Risk Pool Membership

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 insurance 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 Insurance

OTARMA retains casualty risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

Property Insurance

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

**BRUSHCREEK TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

7. RISK MANAGEMENT (Continued)

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 government.

Financial Position

According to the latest financial information available, 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:

	<u>2000</u>	<u>1999</u>	
<u>Casualty Coverage</u>			
Assets	\$22,684,383	\$18,172,222	
Liabilities	<u>8,924,977</u>	<u>5,947,013</u>	
Retained earnings	<u>\$13,759,406</u>	<u>\$12,225,209</u>	
<u>Property Coverage</u>			
Assets	\$4,156,784	\$3,544,437	
Liabilities	<u>497,831</u>	<u>674,752</u>	
Retained earnings	<u>\$3,658,953</u>	<u>\$2,869,685</u>	

8. RESTATEMENT OF FUND BALANCE

	<u>General Fund</u>	<u>Debt Service Fund</u>
Fund Balances as of December 31, 1999	\$ 9,852	\$30,594
Restatement Amount	<u>30,594</u>	<u>(30,594)</u>
Restated Fund Balances as of January 1, 2000	<u>\$40,446</u>	<u>\$ 0</u>

The Township previously established a Debt Service Fund for which they credited current operating levy funds from inside millage that should have been credited to the General Fund. This activity has been restated to the General Fund.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL 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 accompanying financial statements of Brushcreek Township, Highland County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 18, 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated June 18, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 18, 2002.

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

This report is intended solely for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

June 18, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
JULY 16, 2002**