



**Auditor of State
Betty Montgomery**

**BRUSH CREEK TOWNSHIP
SCIOTO COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Brush Creek Township
Scioto County
6620 State Route 348
P.O. Box 28
Otway, Ohio 45657

To the Board of Trustees:

We have audited the accompanying financial statements of Brush Creek Township, Scioto County, Ohio (the Township), as of and for the years ended December 31, 2003 and 2002. 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 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 that our audit provides a reasonable basis for our opinion.

The accompanying 2003 and 2002 financial statements present receipts and disbursements by totals only. Ohio Administrative Code 117-2-02 (A) requires governments to classify receipt and disbursement transactions, however, the amounts in the receipts and appropriations ledgers, as presented, were not in agreement with the Township's cash journal.

As discussed in Note 1, the Village 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 2002, the Township improperly posted 100% of the Board of Trustees' salary and benefits to the Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$1,925 and these disbursements were due to the General Fund. Had this posting error been properly posted to the Township's accounting system, the 2002 General Fund disbursements would have been increased by \$2,604 and the December 31, 2002 cash balance of the General Fund would have been decreased by \$2,604 and the 2002 Special Revenue disbursements would have been decreased by \$2,604 and the December 31, 2002 cash balance of the Special Revenue Fund type would have been increased by \$2,604.

In 2003, the Township improperly posted 100% of the Board of Trustees' salary and benefits to the Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$2,631 and these disbursements were due to the General Fund. Had this posting error been properly posted to the Township's accounting system, the 2003 General Fund disbursements would have been increased by \$2,631 and the December 31, 2003 cash balance of the General Fund would have been decreased by a cumulative \$5,235 and the 2003 Special Revenue disbursements would have been decreased by \$2,631 and the December 31, 2003 cash balance of the Special Revenue Fund type would have been increased by a cumulative \$5,235.

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Also, in our opinion, because of the effect of the matters discussed in the preceding two paragraphs and the omission of receipt and disbursement classification, the financial statements referred to above do not present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Brush Creek Township, Scioto County, as of December 31, 2003 and 2002, and its combined unclassified cash receipts and unclassified 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 March 24, 2005, 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 testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. 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.

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under Section 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 24, 2005

**BRUSH CREEK TOWNSHIP
SCIOTO 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, 2003**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Cash Receipts	\$31,707	\$132,014	\$163,721
Total Cash Receipts	<u>31,707</u>	<u>132,014</u>	<u>163,721</u>
Cash Disbursements:			
Cash Disbursements	40,562	105,540	146,102
Total Cash Disbursements	<u>40,562</u>	<u>105,540</u>	<u>146,102</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(8,855)</u>	<u>26,474</u>	<u>17,619</u>
Fund Cash Balances, January 1	<u>30,003</u>	<u>59,175</u>	<u>89,178</u>
Fund Cash Balances, December 31	<u>\$21,148</u>	<u>\$85,649</u>	<u>\$106,797</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$2,443</u>	<u>\$2,443</u>

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

**BRUSH CREEK TOWNSHIP
SCIOTO 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, 2002**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Cash Receipts	\$25,609	\$93,923	\$119,532
Total Cash Receipts	<u>25,609</u>	<u>93,923</u>	<u>119,532</u>
Cash Disbursements:			
Cash Disbursements	48,557	94,898	143,455
Total Cash Disbursements	<u>48,557</u>	<u>94,898</u>	<u>143,455</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(22,948)</u>	<u>(975)</u>	<u>-23,923</u>
Fund Cash Balances, January 1	<u>52,951</u>	<u>60,150</u>	<u>113,101</u>
Fund Cash Balances, December 31	<u>\$30,003</u>	<u>\$59,175</u>	<u>89,178</u>
Reserve for Encumbrances, December 31	<u>\$4,042</u>	<u>\$0</u>	<u>4,042</u>

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

**BRUSH CREEK TOWNSHIP
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Brush Creek Township, Scioto County (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 and bridge maintenance, cemetery maintenance, fire protection, and ambulance services. The Township contracts with the Village of Otway to provide fire services and Scioto Ambulatory District to provide ambulance 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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements basis of accounting. 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).

The Township did not provide accurate receipt or appropriation ledgers therefore we could not rely on the classification of receipts or disbursements in the financial statements. This is a material departure from the requirements of Ohio Administrative Code Section 117-02-02(A). This Ohio Administrative Code Section requires classifying receipts and disbursements.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Fund Accounting

The Township uses fund accounting to segregate cash that is restricted as to 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 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 Fund:

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

**BRUSH CREEK TOWNSHIP
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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 2003 and 2002 budgetary activity appears in Note 3.

E. 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

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

	<u>2003</u>	<u>2002</u>
Demand Deposits	<u>\$106,797</u>	<u>\$89,178</u>

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

**BRUSH CREEK TOWNSHIP
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$17,220	\$31,707	\$14,487
Special Revenue	89,099	132,014	42,915
Total	<u>\$106,319</u>	<u>\$163,721</u>	<u>\$57,402</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$47,312	\$40,562	\$6,750
Special Revenue	159,378	107,983	51,395
Total	<u>\$206,690</u>	<u>\$148,545</u>	<u>\$58,145</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$17,489	\$25,609	\$8,120
Special Revenue	86,817	93,923	7,106
Total	<u>\$104,306</u>	<u>\$119,532</u>	<u>\$15,226</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$70,443	\$52,599	\$17,844
Special Revenue	146,967	94,898	52,069
Total	<u>\$217,410</u>	<u>\$147,497</u>	<u>\$69,913</u>

Contrary to Ohio Rev. Code Section 5705.41(D), the Township failed to obtain the Township Clerk's prior certification consistently during 2002 and 2003.

Contrary to Ohio Rev. Code Section 5705.41(B), the Township's Federal Emergency Management Agency Fund, Special Revenue Fund type, had expenditures exceeding appropriations during 2003 in the amount of \$8,912.

**BRUSH CREEK TOWNSHIP
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

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. RETIREMENT SYSTEMS

The Township's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS 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 2003 and 2002, OPERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2003.

6. DEBT

The Township retired a truck loan during the audit period.

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 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 Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$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.

**BRUSH CREEK TOWNSHIP
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

7. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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

Financial Position

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

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$27,792,223	\$23,757,036
Liabilities	(11,791,300)	(9,197,512)
Retained earnings	<u>\$16,000,923</u>	<u>\$14,559,524</u>

<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$6,791,060	\$6,596,996
Liabilities	(750,956)	(1,204,326)
Retained earnings	<u>\$6,040,104</u>	<u>\$5,392,670</u>

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**Auditor of State
Betty Montgomery**

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

Brush Creek Township
Scioto County
6620 State Route 348
P.O. Box 28
Otway, Ohio 45657

To the Board of Trustees:

We have audited the financial statements of Brush Creek Township, Scioto County, Ohio (the Township), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated March 24, 2005, wherein we noted the Township did not present receipts and disbursements in accordance with Ohio Administrative Code Section 117-2-02 (A) which requires the Township to classify receipts and disbursements transactions and we opined the financial statements were not fairly presented since the Township declined to adjust its financial statements or accounting records for improper fund posting for Trustee salary disbursements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 2003-004.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider Finding 2003-004 to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated March 24, 2005.

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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 such 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 item 2003-001 through 2003-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated March 24, 2005.

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



Betty Montgomery
Auditor of State

March 24, 2005

SCIOTO COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) (1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above. The main exceptions are: "then and now" certificates, blanket certificates and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$1,000 (which was increased to \$3,000 on April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Fiscal officers may prepare so-called "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding 3 months or running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Effective September 26, 2003, the \$5,000 limit on the issuance of blanket certificates and the requirement that blanket certificates not extend beyond three months have been removed from the law. Effective September 26, 2003, blanket certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Township did not properly certify the availability of funds prior to purchase commitment for 87 percent of the transactions tested in 2003, and 59 percent in 2002. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**BRUSH CREEK TOWNSHIP
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2003-001 (Continued)

Noncompliance Citation (Continued)

Ohio Rev. Code Section 5705.41(D) (1) (Continued)

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Clerk certify that funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Township certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The fiscal officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

FINDING NUMBER 2003-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (B) prohibits a subdivision from making an expenditure unless it has been properly appropriated.

At December 31, 2003, the Township's Federal Emergency Management Agency (FEMA) Fund, Special Revenue Fund types had expenditures which exceeded appropriations as follows:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
FEMA	\$0	\$8,912	(\$8,912)

In addition, the Township made expenditures in the amount of \$10,187 prior to appropriations passed on January 29, 2002. The Township also made expenditures in the amount of \$466 prior to appropriations passed on January 21, 2003.

We recommend the Township Clerk modify appropriations with the Board of Trustees and County Budget Commission before incurring obligations that could cause expenditures to exceed appropriations. The Township Clerk should deny any payments until the legislative authority has passed the necessary changes to the appropriation measure.

**BRUSH CREEK TOWNSHIP
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2003-003

Finding for Adjustment

Ohio Rev. Code Section 505.24(C) provides, in part, that the general rule as to the payment of a Board of Trustee's compensation is that it must be made from the Township General Fund or from Township funds as the Board of Trustees determines by resolution. The resolution must allocate the same proportion as the Board of Trustees' services bear to the activities supported by such funds, as determined by the Board of Trustees.

The Board of Trustee salaries were charged entirely to the Gasoline Tax Fund, Special Revenue Fund type during 2003 and 2002. No Resolution was prepared by the Township at the inception of 2003 or 2002 to allow the Board of Trustee salary to be paid from any fund other than the General Fund. A retroactive Resolution was adopted by the Board of Trustees on October 5, 2004, stating, in part, that Board of Trustee's salaries shall be paid 10% from the General Fund and 90% from the Gas Tax Fund. In accordance with this retroactive resolution, the Board of Trustee salaries in the amount of \$2,631 in 2003 and \$2,604 in 2002 should have been paid from the General Fund, a cumulative amount of \$5,235.

A finding for adjustment is hereby issued against the General Fund of Brushcreek Township, Scioto County, in the cumulative amount of \$5,235, in favor of the Gasoline Tax Fund, Special Revenue Fund type. The Township has not posted this adjustment to its accounting system or financial statements.

FINDING NUMBER 2003-004

Noncompliance Citation/Material Weakness

Ohio Rev. Code Section 507.04(A) provides, in part, that the Township Clerk shall keep an accurate record of all Township accounts and transactions. Ohio Rev. Code Section 117.38 states that each public office, other than a state agency, shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. The report shall contain, in part, the amount of collections and receipts, and accounts due from each source along with the amount of expenditure for each purpose.

Ohio Admin. Code § 117-2-02(A) requires governments to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify, record and report its transactions, document compliance with finance-related legal and contractual requirements and prepare financial statements.

Ohio Admin. Code § 117-2-02(C) provides suggested systems and documents that may be used to effectively maintain the accounting and budgetary records of the local public office:

- The Township should integrate the budgetary accounts, at the legal level of control, into the accounting system. The legal level of control is established by the level at which the legislative body appropriates.
- Purchase orders should be used to approve purchase commitments and to encumber funds against the applicable appropriation accounts. Purchase orders are not effective unless the fiscal officer's certificate is attached.
- Vouchers may be used as a written order authorizing the drawing of a check in a payment of lawful obligation. Each voucher shall contain the date, purchase order number, the line item to be charged, and the amount.

**BRUSH CREEK TOWNSHIP
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS(Continued)**

FINDING NUMBER 2003-004 (Continued)

Noncompliance Citation/Material Weakness (Continued)

Ohio Admin. Code Section 117-2-02(D) provides that all local public offices may maintain accounting records in a manual or computerized format. Subsections (1)-(3) provides the items the records should include. Ohio Admin. Code § 117-2-02(D)(1) provides that a cash journal should be included, which typically contains the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction, should be used. Ohio Admin. Code § 117-2-02(D)(2) provides that a receipts ledger should be included, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses, should be used. The amount, date, name of payor, purpose, receipt number, and other information required for the transactions can be recorded in this ledger. Ohio Admin. Code § 117-2-02(D)(3) provides that an appropriation ledger should be included, which may assemble and classify disbursements into separate accounts for, at a minimum, each account listed in the appropriation resolution should be used. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, and any other information required may be entered in the appropriate columns.

The Township Clerk did not maintain a accurate and complete receipt ledger or appropriation ledger. The Township was unable to accurately and completely classify receipts by source or disbursements by purpose in its annual report contrary to Ohio Rev. Code Section 117.38.

The Township maintained a cash journal, a receipt ledger and a appropriation ledger during the audit period. The receipt and appropriation ledgers did not contain totals, nor were they posted accurately and completely. The cash journal was posted but did not include totals and there were numerous posting errors. The amounts in the receipt and appropriation ledgers did not reconcile to the cash journal. Additionally, purchase orders were not used for all expenditures during both years under audit.

We recommend the Township utilize the aforementioned accounting and budgeting records and documents to 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.

**BRUSH CREEK TOWNSHIP
SCIOTO COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-40773-001	Ohio Rev. Code Section 5705.41(D) – failure to certify funds	No	We have reissued finding as 2003-001 in the GAGAS letter.
2001-40773-002	Ohio Rev. Code Section 5705.39 – appropriations exceed estimated resources	Yes	Corrected.
2001-40773-003	Finding for Recovery – repaid under audit	Yes	Township Clerk repaid the Township during prior audit.



**Auditor of State
Betty Montgomery**

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800-282-0370
Facsimile 614-466-4490

BRUSH CREEK TOWNSHIP

SCIOTO 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, 2005**