



Dave Yost • Auditor of State

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Brush Creek Township
Muskingum County
6010 Stovertown Road
Philo, Ohio 43771

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Brush Creek Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2012 and 2011.

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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; 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 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 opinion.

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

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2012 and 2011, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Brush Creek Township, Muskingum County, Ohio, as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during 2011 the Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2014, 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.



Dave Yost
Auditor of State

Columbus, Ohio

January 6, 2014

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$74,761	\$178,379	\$253,140
Intergovernmental	20,247	95,726	115,973
Miscellaneous		628	628
<i>Total Cash Receipts</i>	<u>95,008</u>	<u>274,733</u>	<u>369,741</u>
Cash Disbursements			
Current:			
General Government	56,674	44	56,718
Public Safety	12,773		12,773
Public Works	7,459	173,050	180,509
Health	87		87
Capital Outlay	10,089	70,184	80,273
<i>Total Cash Disbursements</i>	<u>87,082</u>	<u>243,278</u>	<u>330,360</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	7,926	31,455	39,381
Other Financing Receipts (Disbursements)			
Other Debt Proceeds		70,184	70,184
Sale of Capital Assets		201	201
Other Financing Uses	(48)		(48)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(48)</u>	<u>70,385</u>	<u>70,337</u>
<i>Net Change in Fund Cash Balances</i>	7,878	101,840	109,718
<i>Fund Cash Balances, January 1</i>	<u>24,294</u>	<u>100,542</u>	<u>124,836</u>
Fund Cash Balances, December 31			
Restricted		202,382	202,382
Unassigned (Deficit)	32,172		32,172
<i>Fund Cash Balances, December 31</i>	<u>\$32,172</u>	<u>\$202,382</u>	<u>\$234,554</u>

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

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$30,096	\$68,450	\$1,728	\$100,274
Intergovernmental	18,636	106,192		124,828
Miscellaneous	86	12,600		12,686
<i>Total Cash Receipts</i>	<u>48,818</u>	<u>187,242</u>	<u>1,728</u>	<u>237,788</u>
Cash Disbursements				
Current:				
General Government	35,207	4,684		39,891
Public Safety	183			183
Public Works	1,246	134,031		135,277
Health	295			295
Debt Service:				
Principal Retirement		14,698	1,667	16,365
Interest and Fiscal Charges		1,014	61	1,075
<i>Total Cash Disbursements</i>	<u>36,931</u>	<u>154,427</u>	<u>1,728</u>	<u>193,086</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>11,887</u>	<u>32,815</u>	<u>0</u>	<u>44,702</u>
<i>Fund Cash Balances, January 1</i>	<u>12,407</u>	<u>67,727</u>	<u>0</u>	<u>80,134</u>
Fund Cash Balances, December 31				
Restricted		100,542		100,542
Unassigned (Deficit)	24,294			24,294
<i>Fund Cash Balances, December 31</i>	<u>\$24,294</u>	<u>\$100,542</u>	<u>\$0</u>	<u>\$124,836</u>

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

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of 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 emergency medical services. The Township contracts with the Village of Roseville and Harrison Township to provide fire and emergency services.

The Township participates in the Ohio Plan Risk Management, Inc. (the Plan), a risk-sharing pool available to Ohio Townships. Note 7 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. 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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. 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:

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

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

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

C. Fund Accounting (Continued)

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

Dump Truck Note Fund - This fund was used to accumulate resources for the payment of debt related to the purchase of road equipment. The Note was paid off during 2011.

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 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.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2012 and 2011 budgetary activity appears in Note 3.

E. 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:

1. 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
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Fund Balance (Continued)

2. 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.

3. 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.

4. 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.

5. 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.

F. Property, Plant, and Equipment

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

2. Equity in Pooled Deposits

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

	2012	2011
Demand deposits	<u>\$234,554</u>	<u>\$124,836</u>

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$56,165	\$95,008	\$38,843
Special Revenue	248,749	345,118	96,369
Total	\$304,914	\$440,126	\$135,212

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$112,289	\$87,130	\$25,159
Special Revenue	275,079	243,278	31,801
Total	\$387,368	\$330,408	\$56,960

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$70,360	\$48,818	(\$21,542)
Special Revenue	222,042	187,242	(34,800)
Debt Service	5,100	1,728	(3,372)
Total	\$297,502	\$237,788	(\$59,714)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$69,418	\$36,931	\$32,487
Special Revenue	219,073	154,427	64,646
Debt Service	6,500	1,728	4,772
Total	\$294,991	\$193,086	\$101,905

4. Property Tax

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

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

4. Property Tax (Continued)

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, 2012 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Tractor & Mower Loan	\$70,184	4.5%
Total	<u>\$70,184</u>	

The Township entered into a business loan during 2012 to finance the purchase of a new tractor and mowing equipment for Township road maintenance. The equipment collateralizes this agreement.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	Tractor & Mower Loan
2013	\$14,037
2014	14,037
2015	14,037
2016	14,037
2017	14,676
Total	<u>\$70,824</u>

6. Retirement System

The Township's employees and officials 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 healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2012.

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

7. Risk Management

Risk Pool Membership

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011.

	<u>2012</u>	<u>2011</u>
Assets	\$13,100,381	\$12,501,280
Liabilities	<u>(6,687,193)</u>	<u>(5,328,761)</u>
Members' Equity	<u>\$6,413,188</u>	<u>\$7,172,519</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

8. Related Party Transactions

A Township Trustee is an owner of a tree service company for which the Township did business with during the audit period.



Dave Yost • Auditor of State

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
6010 Stovertown Road
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 Brush Creek Township, Muskingum County, Ohio (the Township), as of and for the year ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated January 6, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. We also noted the Township adopted Governmental Accounting Standards Board Statement No. 54.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 a 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. We consider findings 2012-002 through 2012-005 described in the accompanying Schedule of Findings 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 determination of financial statement amounts. 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 2012-001, 2012-002, 2012-004 and 2012-006.

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 communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

January 6, 2014

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-001

Finding for Recovery

Ohio Rev. Code Section 102.03(D) states no public official or employee shall use or authorize the use of the authority or influence of office or employment to secure anything of value or the promise or offer of anything of value that is of such a character as to manifest a substantial and improper influence upon the public official or employee with respect to that person's duties.

Ohio Rev. Code Section 2921.42(A)(1) states no public official shall knowingly authorize or employ the authority or influence of the public official's office to secure authorization of any public contract in which the public official, a member of the public official's family, or any of the public official's business associates has an interest.

On July 8, 2012, two of the Trustees, Shawn Mumaw and William Daniels, approved reimbursement of \$184 to Shawn Mumaw for tree removal services performed by his company. Mr. Mumaw should have abstained from the vote since it was a reimbursement to himself for services rendered to the Township by a company he owns. In addition, Mr. Mumaw, as well as Mr. Daniels and the Fiscal Officer, signed the check in the amount of \$184. Also, no supporting documentation, such as an invoice, was provided to support this expenditure of Township funds.

We recommend the Board of Trustees abstain from voting on items related to themselves or their families. In addition, invoices or other supporting documentation should be on file to support every disbursement made by the Township.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Shawn Mumaw, Trustee, and his bonding company, Selective Insurance Company of America, in the amount of \$184 in favor of the Township's Gasoline Tax Fund.

A referral will be made to the Ohio Ethics Commission.

FINDING NUMBER 2012-002

Noncompliance and Material Weakness

Ohio Rev. Code Section 5705.10(D) requires all revenue derived from a specific source to be credited to a special fund for the purpose for which the monies were received. Although inter-fund cash advances may be a desirable method of resolving cash flow problems without the necessity of incurring additional interest expense for short-term loans, the intent of this type of cash advance is to require repayment within the current or succeeding year and cash advances are subject to the following requirements:

- Any advance must be clearly labeled as such, and must be distinguished from a transfer;
- In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established;
- The reimbursement from the debtor fund to the creditor fund must not violate any restrictions on use of the money to be used to make the reimbursement; and
- Advances must be approved by a formal resolution of the taxing authority of the subdivision (Board of Trustees) which must include both a specific statement that the transaction is an advance of cash and an indication of the money (fund) from which it is expected that repayment will be made.

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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

FINDING NUMBER 2012-002 (Continued)

Noncompliance and Material Weakness – Ohio Rev. Code Section 5705.10(D) (Continued)

Our review of the Township's financial statements noted interfund advances were reported on the Township's annual report; however, the Township's minutes did not include evidence of any approvals of interfund advances by the Board of Trustees during the audit period. As a result of the lack of statutory authority for making these advances, an adjustment was necessary to remove the interfund advance activity of \$3,000 between the Road and Bridge Special Revenue Fund and the Debt Service Fund, for fiscal year 2011, from the Township's financial statements. These adjustments were agreed to and made by the Fiscal Officer.

We recommend the Township only post and report interfund advances that are legislatively approved by the Board of Trustees and documented in the Township's minute record.

FINDING NUMBER 2012-003

Material Weakness

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

At December 31, 2011 and December 31, 2012, estimated resources approved by the Budget Commission did not agree to the Township's ledgers for the following funds:

Fund	Estimated Receipts Per Last Amended Certificate	Budgeted Receipts per the UAN system	Variance
Debt Service 2011	\$5,100	\$7,000	\$1,900
General Fund 2012	\$56,165	\$0	\$56,165
Motor Vehicle License 2012	\$47,700	\$0	\$47,700
Gasoline Tax 2012	\$105,969	\$0	\$105,969
Road and Bridge 2012	\$95,080	\$0	\$95,080

Inaccurate budgetary information posted to the accounting system could result in management of the Township not being able to effectively monitor and report its budget vs. actual status throughout the year. Because the information entered into the accounting system was not always accurate, adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present budgeted receipts as certified by the County Auditor.

We recommend the Fiscal Officer accurately post estimated receipts as approved by the Budget Commission into the computer system. This procedure will help ensure more useful comparisons of budget vs. actual activity, as well as provide management with an accurate monitoring tool throughout the year.

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-004

Noncompliance and Material Weakness

Ohio Rev. Code Section 5705.10(A) requires all revenue derived from the general levy for current expense within the ten-mill limitation, from any general levy for current expense authorized by vote in excess of the ten-mill limitation, and from sources other than the general property tax, unless its use for a particular purpose is prescribed by law, shall be paid into the general fund.

Ohio Rev. Code Section 5705.10(B) states all revenue derived from general or special levies for debt charges, whether within or in excess of the ten-mill limitation, which is levied for the debt charges on serial bonds, notes, or certificates of indebtedness having a life less than five years, shall be paid into the bond retirement fund; and all such revenue which is levied for the debt charges on all other bonds, notes, or certificates of indebtedness shall be paid into the sinking fund.

Ohio Rev. Code Section 5705.10(C) requires all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made.

Ohio Rev. Code Section 5705.10(D) states all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

The following transactions were posted to the incorrect fund in 2011:

- Real estate tax receipts were not properly allocated between the General Fund, Road and Bridge Fund, and the Debt Service Fund. Property and Other Local Taxes were overstated by \$34,802 in the General Fund, understated by \$33,069 in the Road and Bridge Fund, and understated by \$1,733 in the Debt Service Fund.
- Homestead and rollback receipts were not properly allocated between the General Fund and Road and Bridge Fund. These receipts were overstated in the General Fund by \$2,623. Intergovernmental receipts were understated by \$1,122 in the General Fund. Intergovernmental receipts were understated by \$5,398 in the Road and Bridge Fund and overstated by \$3,897 in the Debt Service Fund.

The above adjustments, which were agreed to by management, were posted to the financial statements and to the Township's ledgers.

The following were insignificant adjustments that were not recorded on the Township's financial statements but were brought to management's attention:

- 2011 manufactured home rollback receipts were not properly allocated between the General Fund and Road and Bridge Fund. Intergovernmental receipts were understated by \$86 and Property and Other Local Taxes were overstated by \$472 in the General Fund. Intergovernmental receipts were understated in the Road and Bridge Fund by \$386.
- 2011 intangible personal property receipts were not properly allocated between the General Fund and Road and Bridge Fund. Property and Other Local Taxes receipts were overstated in the General Fund and understated in the Road and Bridge fund in the amount of \$106.
- 2012 gas tax receipts in the amount of \$2,343 were posted to the Motor Vehicle License Fund instead of the Gasoline Tax Fund.

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-004 (Continued)

Noncompliance and Material Weakness – Ohio Rev. Code Section 5705.10(A) (Continued)

- 2012 real estate tax receipts were not properly allocated between the General Fund and Road and Bridge Fund. Property and Other Local Taxes were understated by \$1,074 in the General Fund and overstated by \$1,074 in the Road and Bridge Fund.
- 2012 homestead and rollback receipts were not properly allocated between the General Fund and Road and Bridge Fund. Property and Other Local Taxes receipts were overstated in the General Fund by \$2,272. Intergovernmental receipts were understated by \$2,272 in the Road and Bridge Fund.
- 2012 manufactured home rollback receipts were not properly allocated between the General Fund and Road and Bridge Fund. Intergovernmental receipts were overstated by \$108 in the General Fund and understated by \$108 in the Road and Bridge Fund.

Posting receipts to the incorrect fund could cause monies to be spent for purposes which are not allowable.

We recommend the Fiscal Officer properly post property tax receipts and homestead and rollback receipts to the proper fund based on the County Auditor's tax settlement sheets. We also recommend gas tax receipts be credited to the Gasoline Tax Fund.

FINDING NUMBER 2012-005

Material Weakness

All local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Ohio Township Handbook (revised April 2013) provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications 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.

During 2012 and 2011, the Township's receipts and disbursements were not always posted into accurate classifications and funds.

For the fiscal year ending December 31, 2011, we noted the following posting errors:

- Settlement receipts for damage done to township roads in the amount of \$6,250 in the Motor Vehicle License Fund and \$6,250 in the Road and Bridge Fund were misclassified as Intergovernmental instead of Miscellaneous receipts.
- Equipment/backhoe lease payments of \$79, \$5,500, and \$10,133 posted to the Motor Vehicle License fund, Debt Service fund, and Road and Bridge fund, respectively, that should have been paid from the Gasoline Tax Fund. Payments were posted as Public Works expenditures in the Motor Vehicle License fund and Road & Bridge fund instead of principal and interest payments in the Gasoline Tax Fund.

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-005 (Continued)

Material Weakness (Continued)

- Road equipment note debt service payments in the amount of \$728 posted to the Gasoline Tax fund that should have been paid from the Debt Service fund which had taxes apportioned for such payment. Payments were posted as Public Works expenditures in the Gasoline Tax fund instead of principal and interest payments of \$667 and \$61, respectively, in the Debt Service Fund.
- Public Works disbursements in the Gasoline Tax Fund were overstated by \$563.

For the fiscal year ending December 31, 2012, we noted the following posting errors:

- Public Works disbursements in the Motor Vehicle License Fund were overstated by \$219.
- Payments for road equipment totaling \$6,163 were posted as Other Financing Uses instead of Public Works disbursements in the General Fund.
- Payment for equipment totaling \$10,089 was posted as Public Safety instead of Capital Outlay disbursements in the General Fund.
- Debt Proceeds and payment for equipment (Capital Outlay) in the amount of \$70,184 were not posted to the Road & Bridge Fund.

The above adjustments and reclassifications, which were agreed to by management, were posted to the financial statements, and the adjustments were also posted to the Township's ledgers.

The following were insignificant reclassifications that were not recorded on the Township's financial statements but were brought to management's attention:

- 2011 real estate tax receipts were posted at the net amount instead of gross. This resulted in Property and Other Local Taxes receipts and General Government disbursements being understated by \$733 in the General Fund and \$1,440 in the Road and Bridge Fund.
- 2011 homestead and rollback receipts in the amount of \$1,060 in the General Fund were misclassified as Property and Other Local Taxes instead of Intergovernmental.
- 2011 manufactured home rollback receipts in the amount of \$185 in the General Fund were misclassified as Property and Other Local Taxes instead of Intergovernmental.
- 2012 manufactured home settlement receipts in the amount of \$504 were misclassified as Intergovernmental instead of Other Local Taxes receipts in the Road and Bridge Fund.
- 2012 excess IRP compensation receipts in the amount of \$363 were misclassified as Miscellaneous instead of Intergovernmental receipt in the Road and Bridge Fund.
- 2012 homestead and rollback receipts in the amount of \$918 in the General Fund were misclassified as Property and Other Local Taxes instead of Intergovernmental.
- 2012 insurance refund receipt in the amount of \$108 was misclassified as Intergovernmental instead of Miscellaneous receipts in the General Fund.
- 2012 insurance claim receipt in the amount of \$1,061 was misclassified as Intergovernmental instead of Miscellaneous receipts in the General Fund.
- 2012 receipt for the sale of scrap metal in the amount of \$201 was misclassified as Sale of Capital Asset instead of Miscellaneous receipts in the Road and Bridge Fund.

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-005 (Continued)

Material Weakness (Continued)

Incorrect postings of financial statement account classifications could result in inaccurate reporting of the Township's financial information.

We recommend the Township utilize available authoritative resources to appropriately classify receipt and disbursement transactions.

FINDING NUMBER 2012-006

Noncompliance

Ohio Rev. Code Chapter 133 allows various methods for subdivisions to incur debt. Section 133.22 allows a subdivision to issue anticipatory securities; Section 133.10 allows anticipation securities in anticipation of current property tax revenues or in anticipation of current revenues in and for any fiscal year from any source or combination of sources, including distributions of any federal or state monies, other than the proceeds of property taxes levied by the subdivision; Section 133.14 allows the issuance of securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct; and Section 133.18 allows the taxing authority of a subdivision by legislation to submit to the electors of the subdivision the question of issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

In 2012, the Township entered into a business loan with North Valley Bank in the amount of \$70,184 to purchase a tractor and mower. Due to the fact that this debt is a business loan between a banking institution and the Township, the loan does not meet the requirements set forth in Ohio Revised Code Chapter 133.

The Ohio Revised Code contains various methods of incurring debt for Townships. Installment loans and promissory notes with banking institutions are not legal methods of debt for Townships. We recommend the Board of Trustees consult with the Township's legal counsel prior to the Township incurring future debt.

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

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	Ohio Rev. Code Section 5705.41(D)(1) – Certain transactions tested were not properly certified by the Township.	No	Partially Corrected; Reported in the Management Letter.
2010-02	Ohio Rev. Code Section 149.351(A) – Supporting documentation not available for audit.	Yes	
2010-03	Ohio Rev. Code Section 5705.10(D) – Approval of cash advances.	No	Not corrected; Repeated in current audit as finding number 2012-002.
2010-04	Ohio Rev. Code Section 5075.40 – Approval of supplemental appropriations.	No	Partially Corrected; Reported in the Management Letter.
2010-05	Ohio Rev. Code Section 5705.41(B) – Expenditures exceeding appropriations.	Yes	
2010-06	Ohio Rev. Code Section 505.24(C) - No documentation for certain trustee compensation paid from the Gasoline Tax Fund	Yes	
2010-07	Ohio Rev. Code Section 5705.10(A) and (C) – Certain receipts were posted to the incorrect funds.	No	Not corrected; Repeated in current audit as finding number 2012-004.
2010-08	Material Weakness – Budgeted receipts posted to the accounting system did not agree to the amended certificate of estimated resources.	No	Not corrected; Repeated in current audit as finding number 2012-003.
2010-09	Material Weakness – Various posting errors were noted resulting in material adjustments to the financial statements.	No	Not corrected; Repeated in current audit as finding number 2012-005.
2010-10	Significant Deficiency – Failure to provide images of cancelled checks.	Yes	
2010-11	Significant Deficiency – Monitoring of monthly bank reconciliations and reconciling items.	No	Partially Corrected; Reported in the Management Letter.

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Dave Yost • Auditor of State

BRUSH CREEK TOWNSHIP

MUSKINGUM 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
JANUARY 21, 2014**