



**Auditor of State
Betty Montgomery**

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

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**Auditor of State
Betty Montgomery**

Brush Creek Township
Muskingum County
3175 Morningstar Road
Blue Rock, Ohio 43720

To the Board of Township Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

November 17, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Brush Creek Township
Muskingum County
3175 Morningstar Road
Blue Rock, Ohio 43720

To the Board of Township Trustees:

We have audited the accompanying financial statements of Brush Creek Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statement referred to above for the year ended December 31, 2004 does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Brush Creek Township, Muskingum County, as of December 31, 2004 or its changes in financial position for the year then ended.

Also, 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 Brush Creek Township, Muskingum County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

November 17, 2005

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$11,953	\$24,535	\$36,488
Intergovernmental	25,605	84,406	110,011
Earnings on Investments	42	115	157
Other Revenue		10	10
	<u>37,600</u>	<u>109,066</u>	<u>146,666</u>
Cash Disbursements:			
Current:			
General Government	17,555		17,555
Public Safety	16,569		16,569
Public Works	6,576	95,024	101,600
Health	1,500		1,500
Debt Service:			
Redemption of Principal		6,333	6,333
Interest and Fiscal Charges		771	771
Capital Outlay		26,500	26,500
	<u>42,200</u>	<u>128,628</u>	<u>170,828</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(4,600)</u>	<u>(19,562)</u>	<u>(24,162)</u>
Other Financing Receipts/(Disbursements):			
Proceeds from Sale of Public Debt:			
Sale of Notes		24,999	24,999
	<u>0</u>	<u>24,999</u>	<u>24,999</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(4,600)	5,437	837
Fund Cash Balances, January 1	<u>6,121</u>	<u>11,049</u>	<u>17,170</u>
Fund Cash Balances, December 31	<u>\$1,521</u>	<u>\$16,486</u>	<u>\$18,007</u>
Reserve for Encumbrances, December 31	<u>\$121</u>	<u>\$1,012</u>	<u>\$1,133</u>

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

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$10,875	\$22,323	\$33,198
Intergovernmental	25,346	80,640	105,986
Earnings on Investments	101	43	144
Other Revenue	1	428	429
	<u>36,323</u>	<u>103,434</u>	<u>139,757</u>
Cash Disbursements:			
Current:			
General Government	28,220		28,220
Public Safety	8,493		8,493
Public Works	859	101,288	102,147
Health	1,165		1,165
Debt Service:			
Redemption of Principal		6,333	6,333
Interest and Fiscal Charges		1,164	1,164
	<u>38,737</u>	<u>108,785</u>	<u>147,522</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(2,414)</u>	<u>(5,351)</u>	<u>(7,765)</u>
Fund Cash Balances, January 1	<u>8,535</u>	<u>16,400</u>	<u>24,935</u>
Fund Cash Balances, December 31	<u>\$6,121</u>	<u>\$11,049</u>	<u>\$17,170</u>
Reserve for Encumbrances, December 31	<u>\$121</u>	<u>\$0</u>	<u>\$121</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, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Brush Creek Township, 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, fire protection and emergency medical services. The Township contracts with Harrison Township and the Village of Roseville for fire protection services and emergency medical 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 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 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. 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 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.

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

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(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 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. The Township did not properly encumber all commitments required by law. Management has included audit adjustments in the accompanying budgetary presentations for items that should have been encumbered.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

E. 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 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>2004</u>	<u>2003</u>
Demand deposits	<u>\$18,007</u>	<u>\$17,170</u>

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

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$36,313	\$37,600	\$1,287
Special Revenue	98,826	134,065	35,239
Total	\$135,139	\$171,665	\$36,526

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$43,605	\$42,321	\$1,284
Special Revenue	109,875	129,640	(19,765)
Total	\$153,480	\$171,961	(\$18,481)

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$36,250	\$36,323	\$73
Special Revenue	100,750	103,434	2,684
Total	\$137,000	\$139,757	\$2,757

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$44,786	\$38,858	\$5,928
Special Revenue	117,131	108,785	8,346
Total	\$161,917	\$147,643	\$14,274

Contrary to Ohio law, appropriations exceeded the amended official estimate by \$6,050 in the General Fund for the period January 21 through July 13, 2004 and appropriations exceeded the amended official estimate by \$1,050 in the General Fund for the period July 14 through December 31, 2004.

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt 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.

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, 2004 was as follows:

	Principal	Interest Rate
General Obligation Equipment Notes - 2002	\$6,333	6.25%
Promissory Note (lease-purchase agreement) - 2004	24,999	4.499%

The 1999 general obligation notes were issued to finance the purchase of a motor grader to be used for Township road maintenance. The notes are collateralized solely by the Township's taxing authority. The notes are being repaid out of the Gasoline Tax Fund in annual installments of \$6,333 plus interest.

The 2004 promissory note was issued to finance the lease-purchase of a tractor and mower to be used for Township road maintenance. The note is collateralized by the equipment and the Township's taxing authority. The note is being repaid out of the Gasoline Tax Fund in annual installments of \$5,694 which includes interest.

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

	General Obligation Notes	Promissory Note
Year ending December 31:		
2005	\$6,729	\$5,694
2006		5,694
2007		5,694
2008		5,694
2009		5,694
Total	\$6,729	\$28,470

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

6. RETIREMENT SYSTEMS

The Township's 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.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

7. RISK MANAGEMENT

The Township is insured with the Ohio Government Risk Management Plan (the Plan). The Plan assumes the risk of loss up to the limits of the Township's policies. Coverage is subject to deductibles and scheduled property. The following risks are covered by the Plan:

- Comprehensive property and general liability;
- Inland marine;
- Employer's liability;
- Employee benefits liability;
- Public officials liability;
- Crime (includes theft, disappearance and destruction, public employee dishonesty, forgery or alternation, and computer fraud);
- Bonding of public officials

During 2003, the Township provided medical, life, accidental death, weekly income, cancer, hospital indemnity, and disability income insurance benefits to its officials through a private carrier. During 2004, the Township no longer provided medical, life, accidental death, weekly income, cancer, hospital indemnity, and disability income insurance benefits to its officials.

Risk Pool Membership

The Township belongs to the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 5% portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5% or \$25,000 of casualty losses and the lesser of 5% or \$50,000 of property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

7. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

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

	2004	2003
Assets	\$6,685,522	\$5,402,167
Liabilities	\$2,227,808	\$1,871,123
Members' Equity	\$4,457,714	\$3,531,044

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.



**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
Muskingum County
3174 Morningstar Road
Blue Rock, Ohio 43720

To the Board of Township Trustees:

We have audited the financial statements of Brush Creek Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated November 17, 2005, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting 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 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 management's assertions in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2004-002 and 2004-005.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. We considered reportable condition 2004-005 listed above to be a material weakness. In a separate letter to the Township's management dated November 17, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2004-001 through 2004-004. In a separate letter to the Township's management dated November 17, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Board of Township Trustees. It is not intended for 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

November 17, 2005

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-001

Finding for Recovery Repaid Under Audit

Ohio Rev. Code §§ 505.24 (A)(3) and (B)(5) state that in townships having a budget of more than one hundred thousand dollars, but not more than two hundred fifty thousand dollars, the compensation for 2003 for trustees elected or appointed after December 8, 2000 was to be thirty two dollars and fifty cents (\$32.50) per day, not to exceed 200 days per year (annualized at \$6,500).

For 2003, the approved annual budget of Brush Creek Township was in the budget category of more than \$100,000 but not more than \$250,000.

Curt Ditter and Roy Taylor, Township Trustees, were both serving terms that began on January 1, 2002. For the year ended December 31, 2003, Trustees Ditter and Taylor should have been paid \$6,500 per year, or \$541.67 per month. Trustees Ditter and Taylor were each compensated \$550.62 per month. As a result, Trustees Ditter and Taylor were overcompensated \$107.40 each (an overpayment of \$8.95/month for a 12 month period). This amounts to a total overpayment for both Trustees of \$214.80.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Curt Ditter and Roy Taylor, Township Trustees, and their surety, the Ohio Government Risk Management Plan, jointly and severally, in the amount of \$107.40 each (\$214.80 total) and in favor of Brush Creek Township, Muskingum County's General Fund (\$17.89), Motor Vehicle License Tax Fund (\$53.70) and Gasoline Tax Fund (\$143.21).

This Finding for Recovery was repaid on November 17, 2005.

FINDING NUMBER 2004-002

Noncompliance Citation and Reportable Condition

Ohio Rev. Code § 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 that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. 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 (Clerk) 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 taxing authority (Board of Township Trustees) can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2004-002 (Continued)

Noncompliance Citation and Reportable Condition - Ohio Rev. Code § 5705.41(D)(1) (Continued)

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. Blanket Certificate** – Fiscal officers may prepare "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current 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, certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend beyond the end of the fiscal year. 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 32% and 5% of the expenditures tested during 2004 and 2003, respectively, and there was no evidence that the Township followed the aforementioned exceptions. Without these certifications, the management of the Township lost budgetary control over some of its expenditures.

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 the funds are or will be available prior to an obligation being incurred 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 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 commitments to the proper appropriation code, to reduce the available appropriation.

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2004-003

Noncompliance Citation

Ohio Rev. Code § 5549.21 authorizes a board of township trustees to purchase or lease such machinery and tools as are necessary for use in constructing, reconstructing, maintaining, and repairing roads and culverts within the township. Except as otherwise provided in sections 505.08, 505.101, and 5513.01 of the Revised Code, all purchases of materials, machinery, and tools shall, if the amount involved exceeds twenty-five thousand dollars, be made from the lowest responsible bidder after advertisement, as provided in section 5575.01 of the Revised Code.

Ohio Rev. Code § 5549.021(B) authorizes a board of township trustees to enter into a lease for machinery, tools, trucks, and other equipment for use in constructing, maintaining, and repairing roads, including a lease with an option to purchase. Any lease with an option to purchase shall require the board to pay a cash down payment of at least three-twentieths of the total cost. If the board sells used equipment as part of a lease with option to purchase, the cash down payment may be reduced by the amount of the selling price of the used equipment. A lease with an option to purchase may be entered into only with the lowest responsive and responsible bidder of the equipment after advertising for bids in the manner provided in section 5575.01 of the Revised Code. Ohio Rev. Code § 5575.01(A) provides that advertisement for bids shall be made not later than two weeks prior to the date fixed for the letting of the contract in a newspaper published in the county and of general circulation within the township or, if no newspaper is published in the county, in a newspaper having general circulation in the township.

On May 18, 2004, the Board of Township Trustees (Board) entered into a lease purchase agreement with Kansas State Bank of Manhattan for a tractor and boom mower at a total cost of \$26,500. A cash down payment of \$1,501 was made. The Board did not advertise for bids.

Since the total cost exceeded \$25,000, the Board was required to advertise for bids and award the contract to the lowest responsible bidder, as provided in the above Code sections. The Board was also required to have made a cash down payment of at least three-twentieths of the total purchase price, or \$3,975, as provided in the above Code section.

We recommend the Board comply with the aforementioned laws when purchasing and/or leasing equipment used in constructing, reconstructing, maintaining, and repairing roads and culverts within the Township.

This matter will be referred to the Muskingum County Prosecutor and the Ohio Attorney General.

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2004-004

Noncompliance Citation

Ohio Rev. Code § 5705.39 prohibits the total appropriations from each fund from exceeding the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Appropriations exceeded the amended official estimate from January 21 through July 13, 2004 in the General Fund by \$6,050. Appropriations exceeded the amended official estimate from July 14 through December 31, 2004 in the General Fund by \$1,050.

We recommend the Township refrain from adopting appropriations in excess of estimated revenues. The Township should obtain a certificate from the county auditor stating that total appropriations from each fund do not exceed the total estimated resources.

FINDING NUMBER 2004-005

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.

The Township did not post budgeted receipts to the receipts ledger. Because the information entered into the receipt ledger was incomplete, Township management was unable to effectively monitor budgetary receipts throughout the year. This could result in difficulties determining the necessity to file any amended certificates of estimated resources which is the basis for governing a township's appropriations.

We recommend the Township Clerk record estimated receipts from the Certificate of Estimated Resources and any amendments thereto. The accompanying budgetary presentation includes those budgeted receipts certified by the County Auditor.

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	Ohio Rev. Code § 505.24 Salaries paid from other than the General Fund without a resolution.	No	Partially corrected and reissued in the management letter.



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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
DECEMBER 20, 2005**