



**Auditor of State
Betty Montgomery**

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Brush Creek Township
Muskingum County
4330 Headley Road
Roseville, Ohio 43777

To the Board of 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, 2002 and 2001. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Brush Creek Township, Muskingum County, as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2003 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Brush Creek Township
Muskingum County
Independent Accountants' Report
Page 2

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 § 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

August 19, 2003

**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, 2002**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$11,174	\$20,612	\$2,324	\$34,110
Intergovernmental	25,867	67,244		93,111
Earnings on Investments	157	73		230
Other Revenue		2,502		2,502
		<u>2,502</u>		<u>2,502</u>
Total Cash Receipts	<u>37,198</u>	<u>90,431</u>	<u>2,324</u>	<u>129,953</u>
Cash Disbursements:				
Current:				
General Government	22,166			22,166
Public Safety	6,705			6,705
Public Works	7,239	79,472		86,711
Health	1,125			1,125
Debt Service:				
Redemption of Principal		6,333	2,200	8,533
Interest and Fiscal Charges		1,554	111	1,665
		<u>1,554</u>	<u>111</u>	<u>1,665</u>
Total Cash Disbursements	<u>37,235</u>	<u>87,359</u>	<u>2,311</u>	<u>126,905</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(37)</u>	<u>3,072</u>	<u>13</u>	<u>3,048</u>
Fund Cash Balances, January 1	<u>8,572</u>	<u>13,303</u>	<u>8</u>	<u>21,883</u>
Fund Cash Balances, December 31	<u>\$8,535</u>	<u>\$16,375</u>	<u>\$21</u>	<u>\$24,931</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, 2001**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$12,599	\$23,415	\$2,446	\$38,460
Intergovernmental	27,844	65,655		93,499
Earnings on Investments	574	203		777
Other Revenue		1,358		1,358
				<u>1,358</u>
Total Cash Receipts	<u>41,017</u>	<u>90,631</u>	<u>2,446</u>	<u>134,094</u>
Cash Disbursements:				
Current:				
General Government	20,284			20,284
Public Safety	29,086			29,086
Public Works	13,475	94,299		107,774
Health	1,200			1,200
Debt Service:				
Redemption of Principal		6,333	2,200	8,533
Interest and Fiscal Charges		1,951	256	2,207
				<u>2,207</u>
Total Cash Disbursements	<u>64,045</u>	<u>102,583</u>	<u>2,456</u>	<u>169,084</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(23,028)</u>	<u>(11,952)</u>	<u>(10)</u>	<u>(34,990)</u>
Other Financing Receipts and (Disbursements):				
Other Sources	191			191
				<u>191</u>
Total Other Financing Receipts and (Disbursements)	<u>191</u>	<u>0</u>	<u>0</u>	<u>191</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(22,837)	(11,952)	(10)	(34,799)
Fund Cash Balances, January 1	<u>31,409</u>	<u>25,255</u>	<u>18</u>	<u>56,682</u>
Fund Cash Balances, December 31	<u>\$8,572</u>	<u>\$13,303</u>	<u>\$8</u>	<u>\$21,883</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, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Brush Creek Township, Muskingum 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, 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 prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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 money for maintaining and repairing Township roads.

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

3. Debt Service Funds

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following significant Debt Service Fund:

Note Retirement Fund - This fund is used to accumulate resources for the payment of debt related to the purchase of road equipment.

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. 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 2002 and 2001 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:

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2. EQUITY IN POOLED CASH (Continued)

	2002	2001
Demand deposits	\$24,931	\$21,883

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$35,368	\$37,198	\$1,830
Special Revenue	83,815	90,431	6,616
Debt Service	2,324	2,324	0
Total	\$121,507	\$129,953	\$8,446

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$45,208	\$37,235	\$7,973
Special Revenue	95,045	87,359	7,686
Debt Service	2,332	2,311	21
Total	\$142,585	\$126,905	\$15,680

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$40,915	\$41,208	\$293
Special Revenue	87,493	90,631	3,138
Debt Service	2,447	2,446	(1)
Total	\$130,855	\$134,285	\$3,430

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$72,324	\$64,045	\$8,279
Special Revenue	112,747	102,583	10,164
Debt Service	2,464	2,456	8
Total	\$187,535	\$169,084	\$18,451

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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 payments, the first half is due December 31. The second half payment is due the following June 20.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. DEBT

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Notes - Grader	\$19,000	6.25%
Total	<u>\$19,000</u>	

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

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

	<u>General Obligation Notes - Grader</u>
Year ending December 31:	
2003	\$7,521
2004	7,125
2005	6,729
Total	<u>\$21,375</u>

6. RETIREMENT SYSTEMS

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

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. RETIREMENT SYSTEMS (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, members of PERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Township has paid all contributions required through December 31, 2002.

7. RISK MANAGEMENT

Risk Pool Membership

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed 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 coverage, 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 uses conventional insurance coverage and reinsures these coverages. Effective September 1, 2002, the Plan retains 5% of the premium and losses on the first \$500,000 casualty treaty (up to \$25,000 of a loss) and 5% of the first \$1,000,000 property treaty (up to \$50,000 of a loss). The Plan also participates in a loss corridor in its first \$500,000 casualty reinsurance. The corridor includes losses paid between 55% and 65% of premiums earned under this treaty. (Reinsurance coverage would resume after a paid loss ratio of 65% is exceeded.) The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Brush Creek Township
Muskingum County
4330 Headley Road
Roseville, Ohio 43777

To the Board of 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, 2002 and 2001, and have issued our report thereon dated August 19, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2002-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated August 19, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Township in a separate letter dated August 19, 2003.

Brush Creek Township
Muskingum County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 19, 2003

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2002-001

Noncompliance Citation

Ohio Rev. Code § 505.24 requires trustee's salaries to be paid from the General Fund or from other township funds in such proportions as the Board specifies by resolution. The resolution should allocate the salaries based on the types of services provided by the trustees.

During both 2002 and 2001, 75% of trustee salaries and fringe benefits were charged to the Gasoline Tax Fund and the remaining 25% was charged to the Motor Vehicle License Tax Fund.

A resolution had not been adopted by the Board specifying how Trustee salaries would be allocated. The allocation of Trustees' salaries and fringe benefits for 2002 and 2001 was not proportionate to the administrative duties actually performed by the Trustees. After bringing this to the Board's attention, the Board passed a retroactive resolution on August 28, 2003 addressing the proportions from which the total compensation of the Trustees should have been paid. The following proportions were approved for 2002 and 2001: 8.33% General Fund, 66.67% Gasoline Tax Fund and the remaining 25% to the Motor Vehicle License Tax Fund.

As a result, an adjustment to allocate the appropriate salaries and fringe benefits to the General Fund was necessary. General Fund cash disbursements were increased by \$1,791 and \$1,845, respectively, for 2001 and 2002. The Gasoline Tax Fund cash disbursements were decreased by like amounts.

This adjustment, with which management agrees, has been posted to the Township's books and is reflected in the accompanying financial statements.

We recommend the Township adopt a formal resolution at the organizational meeting each year addressing the allocation of total compensation. Each resolution should address the appropriate proportions and funds from which the salaries and fringe benefits are to be paid. Benefits such as health insurance and the employer's portion of retirement and Medicare should be paid out of the same funds, and in the same proportions, as the salaries.



**Auditor of State
Betty Montgomery**

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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
OCTOBER 7, 2003**