



Dave Yost • Auditor of State

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

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Dave Yost • Auditor of State

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

To the Board of 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 an 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 adverse 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

November 22, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

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, 2010 and 2009. 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.

Except as discussed in the following paragraph, 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

The Township was unable to provide sufficient evidential matter supporting certain Public Works disbursements recorded in the Special Revenue Fund type for the year ended December 31, 2009. These disbursements represent 21% of the 2009 total Special Revenue Fund type disbursements. We were unable to determine the validity of these disbursements through alternative procedures.

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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity-wide statements and also presenting the Township's larger (i.e., major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. 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 statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2010 and 2009, or its changes in financial position, for the years then ended.

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine the evidence regarding certain Public Works disbursements in the Special Revenue Fund type during 2009, 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, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 22, 2011, 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.



Dave Yost
Auditor of State

November 22, 2011

**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, 2010**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property and Other Local Taxes	\$16,035	\$35,480	\$3,367	\$54,882
Intergovernmental	25,090	109,096		134,186
Settlements		3,294		3,294
Earnings on Investments	13	16		29
Miscellaneous	2,868	9,172		12,040
	<u>44,006</u>	<u>157,058</u>	<u>3,367</u>	<u>204,431</u>
Cash Disbursements:				
Current:				
General Government	23,336	3,051		26,387
Public Safety	9,048			9,048
Public Works	1,100	139,703		140,803
Health	210			210
Capital Outlay		5,536		5,536
Debt Service:				
Redemption of Principal		3,579	3,044	6,623
Interest and Other Fiscal Charges		790	323	1,113
	<u>33,694</u>	<u>152,659</u>	<u>3,367</u>	<u>189,720</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>10,312</u>	<u>4,399</u>	<u>0</u>	<u>14,711</u>
Fund Cash Balances, January 1	<u>2,095</u>	<u>63,328</u>	<u>0</u>	<u>65,423</u>
Fund Cash Balances, December 31	<u>\$12,407</u>	<u>\$67,727</u>	<u>\$0</u>	<u>\$80,134</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, 2009**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash Receipts:				
Property and Other Local Taxes	\$16,111	\$34,692	\$3,933	\$54,736
Intergovernmental	24,736	106,820		131,556
Earnings on Investments	51	124		175
Miscellaneous	4,882			4,882
Total Cash Receipts	45,780	141,636	3,933	191,349
Cash Disbursements:				
Current:				
General Government	29,137	2,018		31,155
Public Safety	20,329			20,329
Public Works	1,570	126,608		128,178
Health	656			656
Debt Service:				
Redemption of Principal		5,300	3,333	8,633
Interest and Other Fiscal Charges		433	600	1,033
Total Cash Disbursements	51,692	134,359	3,933	189,984
Total Cash Receipts Over/(Under) Cash Disbursements	(5,912)	7,277	0	1,365
Other Financing Receipts / (Disbursements):				
Sale of Fixed Assets	20	1,400		1,420
Total Other Financing Receipts / (Disbursements)	20	1,400	0	1,420
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(5,892)	8,677	0	2,785
Fund Cash Balances, January 1	7,987	54,651	0	62,638
Fund Cash Balances, December 31	\$2,095	\$63,328	\$0	\$65,423

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, 2010 AND 2009**

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, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Village of Roseville and Harrison Township to provide fire and emergency medical services.

The Township participates in the Ohio Plan Risk Management (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 and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose 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.

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

C. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

3. Debt Service Funds

These funds account for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Fund:

Dump Truck Note 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, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. 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 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. The Township did not encumber all commitments required by Ohio law.

A summary of 2010 and 2009 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.

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

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 and investments at December 31 was as follows:

	2010	2009
Demand deposits	\$80,134	\$65,423

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$31,621	\$44,006	\$12,385
Special Revenue	139,318	157,058	17,740
Debt Service	3,667	3,367	(300)
Total	\$174,606	\$204,431	\$29,825

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$40,843	\$33,694	\$7,149
Special Revenue	193,417	152,659	40,758
Debt Service	2,012	3,367	(1,355)
Total	\$236,272	\$189,720	\$46,552

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$45,367	\$45,800	\$433
Special Revenue	143,299	143,036	(263)
Debt Service	3,933	3,933	0
Total	\$192,599	\$192,769	\$170

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. Budgetary Activity (Continued)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$39,106	\$51,692	(\$12,586)
Special Revenue	147,210	134,359	12,851
Debt Service	0	3,933	(3,933)
Total	\$186,316	\$189,984	(\$3,668)

Ohio Rev. Code Section 5705.40 allows the Township to amend its appropriation measure provided it complies with the same provisions of laws used in making the original appropriation. During 2009, the Township posted additional appropriations of \$6,166 to the General Fund, \$3,000 in the Gasoline Tax Fund, \$2,650 in the Road and Bridge Fund, and \$3,933 in the Debt Service Fund. During 2010, the Township posted additional appropriations of \$11,589 to the General Fund, \$11,505 in the Gasoline Tax Fund, \$6,436 in the Road and Bridge Fund, and \$2,067 in the Debt Service Fund. However, these appropriations were either not approved by the Board or filed with the Muskingum County Budget Commission. The above presentation has been adjusted to reflect only those appropriations approved by the Board and filed with the Muskingum County Budget Commission.

For the year ending December 31, 2010, the Dump Truck Note Fund had expenditures posted to the accounting system in excess of properly adopted appropriations of \$2,067. For the year ending December 31, 2009, the General, Gasoline Tax, and Dump Truck Note funds had expenditures posted to the accounting system exceeding appropriations by \$9,099, \$9,326, and \$2,012, respectively. Certain debt service payments and other expenditures were recorded in the incorrect funds. As a result, adjustments are reflected in the financial statements and in the above budgetary comparisons. These adjustments resulted in expenditures being in excess of appropriations in the Dump Truck Note Debt Service Funds of \$1,355 and \$3,933 for the years ending December 31, 2010 and 2009, respectively, and in the General Fund of \$12,586 for the year ending December 31, 2009. This is contrary to Ohio Rev. Code Section 5705.41(B) which requires expenditures to be limited to appropriations for each fund.

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.

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.

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

4. Property Tax (Continued)

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, 2010 was as follows:

	Principal	Interest Rate
Road Equipment Note	\$1,666	4.50%
Lease Purchase Agreement	14,697	4.25%
Total	\$16,363	

The Township's road equipment note was issued to finance the purchase of a truck to be used for Township road maintenance. The Township's taxing authority collateralized the bonds.

The Township's lease purchase agreement was entered into to finance the lease-purchase of a loader and backhoe to be used for Township road maintenance. The equipment collateralizes this agreement.

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

	Road Equipment Note	Lease Purchase Agreement
Year ending December 31:		
2011	\$1,666	\$4,079
2012		\$4,079
2013		\$4,079
2014		\$4,079
Total	\$1,666	\$16,316

6. Retirement Systems

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 2010 and 2009, OPERS members contributed 10%, respectively, of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has not paid all contributions required through December 31, 2010.

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

7. Risk Management

Risk Pool Membership

Prior to 2009, the Township belonged to 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 was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

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. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), 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 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Township participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Township does not participate in this coverage.

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.

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

7. Risk Management (Continued)

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: 2010 and 2009, and include amounts for both OPRM and OPHC:

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members' Equity	<u>\$7,191,485</u>	<u>\$300,035</u>	<u>\$6,323,701</u>	<u>\$105,185</u>

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

8. Settlements

For the year ended December 31, 2010, the Township received \$3,294 from a company for roadway damage repairs and costs arising from construction activities. These receipts are reflected as Settlements in the accompanying financial statements.

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Dave Yost • Auditor of State

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
6010 Stovertown Drive
Philo, Ohio 43771

To the Board of 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, 2010 and 2009, and have issued our report thereon dated November 22, 2011, 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, and the Township did not provide sufficient supporting documentation for Special Revenue Fund type disbursements for 2009. We also noted the Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. 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 as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

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

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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-02 and 2010-05 through 2010-09 described in the accompanying Schedule of Findings to be material weaknesses.

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 2010-03, 2010-04, 2010-10 and 2010-11 described in the accompanying Schedule of Findings to be significant deficiencies.

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 we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2010-01 through 2010-07.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated November 22, 2011.

We intend this report solely for the information and use of management, the Board of Trustees, and others within the Township. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

November 22, 2011

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2010-01

Noncompliance Citation

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

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 Ohio Rev. Code Section 5705.41(D)(1) and 5705.41(D)(3), respectively:

Then and Now Certificate - If the fiscal officer can certify that both at the time 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 encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has 30 days from the receipt of the "then and now" certificate to approve payment by resolution or ordinance. Amounts of less than \$3,000, may be paid by the fiscal officer without a resolution or ordinance of the Township 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.

Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

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.

Fourteen percent of the non-payroll transactions tested in 2010 and 86 percent tested in 2009 did not have the prior certification of the Fiscal Officer, nor was there any evidence the Fiscal Officer was using a "then and now" certificate. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2010-01 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)

In addition, during the audit period, we noted the Township utilized blanket certificates without formally adopting a resolution outlining a sum for which blanket certificates may be issued as required by Ohio Rev. Code Section 5705.41(D).

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 the Fiscal Officer certify that funds are or will be available prior to obligations being incurred by the Township. When prior certification is not possible, "then and now" certificates should be used.

We recommend the Township certify purchases to which Ohio Rev. Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification prior to the Township incurring a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation. In addition, we recommend the Board of Trustees adopt a resolution to set a maximum amount for which blanket certificates may be issued.

FINDING NUMBER 2010-02

Noncompliance Citation and Material Weakness

Ohio Rev. Code Section 149.351(A) states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided under Sections 149.38 to 149.42 of the Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully. Furthermore, the retention and disposal of public records must be in accordance with provisions of Ohio Revised Code Section 149.42 and records must be made available in accordance with Ohio Revised Code Section 149.43.

In addition, management is responsible for designing and implementing internal control policies and procedures to reasonably ensure specific financial objectives will be achieved. A sound internal control structure requires documented procedures to provide management with reasonable assurance that recorded transactions occurred and are not fictitious. This includes maintaining sufficient supporting documentation such as purchase orders, invoices, and vouchers for all non-payroll disbursements.

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2010-02 (Continued)

Noncompliance Citation and Material Weakness - Ohio Rev. Code Section 149.351(A) (Continued)

The Township's voucher packages filed by the Fiscal Officer were not always assembled and maintained together. The duplicate copy of the check served as the voucher, but the supporting documentation was not always attached to it, but filed separately from it. During 2010, we noted 4 of 19, or 21%, of vouchers tested had proper supporting documentation; however, the invoice was not bound together in a "voucher package". This resulted in a significant amount of audit time being required in order to determine the completeness of the supporting documentation received and locate appropriate supporting documentation. During 2009, we noted 4 of 17, or 24%, of payments tested, totaling \$28,539 for which the Fiscal Officer could not locate an approved voucher, invoice, or other supporting documentation. As a result, it was difficult to determine if all supporting documentation was available for review and we were unable to obtain the necessary assurances over management's assertions for disbursements reported by the Township for 2009. Furthermore, failure to maintain organized records resulted in the Township duplicating the payment of certain invoices, including an overpayment of \$4,282 in fiscal year 2009 to Harrison Township for a contract agreement that was to be paid in 2008 to provide emergency services, for which the Township was consequently issued a refund or credit for subsequent purchases. Failure to maintain the appropriate supporting documentation could allow payments to be made for items not received and allow other errors or irregularities to occur and remain undetected.

We recommend supporting documentation be maintained by the Fiscal Officer in accordance with record retention policies for each non-payroll disbursement including a voucher with the original invoice attached, purchase order information and any other supporting documentation applicable to the disbursement. Vouchers should not be approved by the Board of Trustees unless the original invoice is attached in order to ensure amounts paid agree to the applicable supporting documentation and that supporting documentation is present.

FINDING NUMBER 2010-03

Noncompliance Citation and Significant Deficiency

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

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2010-03 (Continued)

**Noncompliance Citation and Significant Deficiency - Ohio Rev. Code Section 5705.10(D)
(Continued)**

- 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.

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 Township 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 \$2,157 between the Road and Bridge Special Revenue Fund and the Dump Truck Note Debt Service Fund, for fiscal year 2010, and \$2,500 between the Gasoline Tax Special Revenue Fund and Road and Bridge Special Revenue Fund, for fiscal year 2009, from the Township's financial statements to accurately represent the correct amounts. These adjustments were agreed to and made by the Township 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 2010-04

Noncompliance Citation and Significant Deficiency

Ohio Rev. Code Section 5705.40 states, in part, that any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation. A Township Board of Trustees is prohibited from delegating duties statutorily assigned to it, such as the duty of amending appropriations. See *C.B. Transportation, Inc. v. Butler County Board of Mental Retardation*, 60 Ohio Misc. 71, 397 N.E.2d 781 (C.P. 1979); *Burkholder v. Lauber*, 6 Ohio Misc. 152, 216 N.E.2d (C.P. 1965). Ohio Revised Code Section 5705.39 requires the township to file appropriation certificates with the County Budget Commission.

During 2009, the Fiscal Officer posted additional appropriations of \$6,166 to the General Fund, \$3,000 in the Gasoline Tax Fund, \$2,650 in the Road and Bridge Fund, and \$3,933 in the Debt Service Fund. Our review of the minutes noted some of these additional appropriations were approved by the Board however there was no evidence noted that any of these appropriations were filed with the County Budget Commission. During 2010, the Fiscal Officer posted additional appropriations of \$11,589 to the General Fund, \$11,505 in the Gasoline Tax Fund, \$6,436 in the Road and Bridge Fund, and \$2,067 in the Debt Service Fund. Our review of the minutes noted none of these additional appropriations were approved by the Board. Furthermore, there was no evidence noted that any of these appropriations were filed with the County Budget Commission.

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2010-04 (Continued)

Noncompliance Citation and Significant Deficiency - Ohio Rev. Code Section 5705.40 (Continued)

An adjustment was made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present appropriations approved by the Township Board of Trustees and filed with the Muskingum County Budget Commission. These adjustments were agreed to by the Township Fiscal Officer.

We recommend the Township Board of Trustees approve all appropriation amendments, record approval in the Board minutes, and file all appropriation amendments with the County Auditor in order to receive confirmation from the County Auditor that appropriations do not exceed estimated resources. The Fiscal Officer should only post legislatively approved amendments.

FINDING NUMBER 2010-05

Noncompliance Citation and Material Weakness

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

As of December 31, 2010, the Dump Truck Note Fund had expenditures exceeding appropriations by \$2,067. In addition, expenditures exceeded appropriations, within various Township accounts, at the legal level of control, in the General, Gasoline Tax, and Road and Bridge funds.

As of December 31, 2009, the General, Gasoline Tax, and Dump Truck Note funds had expenditures exceeding appropriations by \$9,099, \$9,326, and \$2,012, respectively. In addition, we noted expenditures exceeding appropriations, within various Township accounts, at the legal level of control, in the Road and Bridge Fund.

We recommend the Township management monitor available appropriations throughout the fiscal year. The Fiscal Officer should deny payments that exceed appropriations. If available resources exist to make the payment, management should request the Board of Trustees to consider amending appropriations and submitting them to the Muskingum County Budget Commission.

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2010-06

Noncompliance Citation and Material Weakness

Ohio Rev. Code Section 505.24(C) states that by unanimous vote, a board of township trustees may adopt a method of compensation consisting of an annual salary to be paid in equal monthly payments. Furthermore, Ohio Rev. Code Section 505.24 (C) states the amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid from the township general fund or from such funds in proportions as the board may specify by resolution. However, Ohio Attorney General Opinion 2004-036 requires trustees to establish administrative procedures to document the proportionate amount chargeable to other township funds based on the kinds of services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustee's document all time spent on township business and the type of service performed, in a manner similar to trustees' paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from these other funds.

For 2009, Trustee Michael Wilson was compensated over six payments for the fiscal year rather than in equal monthly payments as required. In addition, the Township did not provide evidence documenting work performed through a timesheet or similar method of record keeping for two months for Trustee Curtis Ditter and for four months for Trustee Richard Rose, for fiscal year 2009, in which the Trustees were paid solely from funds other than the Township's General Fund. In addition, for fiscal year 2010, the Township did not provide evidence documenting work performed through a timesheet or similar method of record keeping for Trustee William Daniels for three months for which the Trustee was paid solely from funds other than the Township's General Fund. Therefore, the Township may not pay these salaries from funds other than the General Fund. For 2009, this resulted in an adjustment of salaries and benefits totaling \$3,666 to the General Fund from the Gasoline Tax and Motor Vehicle License Tax funds in the amounts of \$3,055 and \$611, respectively. For 2010, this resulted in an adjustment of salaries and benefits totaling \$1,833 to the General Fund from the Gasoline Tax and Road and Bridge funds in the amounts of \$1,222 and \$611, respectively. These adjustments, to which the Township has agreed to, have been reflected in the accompanying financial statements.

We recommend each Township Trustee document work performed through a timesheet or similar method of record keeping in order to be paid from funds other than the General Fund.

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2010-07

Noncompliance Citation and Material Weakness

Ohio Rev. Code Section 5705.10(A) states that 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(C) states that 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(H) states that money paid into a fund must be used only for the purpose for which such fund has been established.

For the fiscal year ending December 31, 2009 we noted the following posting errors:

- Homestead and rollback revenue in the aggregate amount of \$3,815 posted to the General Fund that should have been allocated to the General and Road and Bridge funds in the amounts of \$1,098 and \$2,717, respectively;
- Excess kilowatt-hour revenue in the amount of \$1,374 posted to the General Fund that should have been allocated to the General and Road and Bridge funds in the amounts of \$450 and \$924, respectively; and,
- Road equipment note debt service payment in the amount of \$1,945 posted to the Road and Bridge Fund that should have been paid from the Debt Service Fund which had taxes apportioned for such payment.

For the fiscal year ending December 31, 2010 we noted the following posting errors:

- Homestead and rollback revenue in the aggregate amount of \$7,754 posted to the General Fund that should have been allocated to the General and Road and Bridge funds in the amounts of \$2,232 and \$5,522, respectively;
- Tangible personal property tax replacement revenue in the aggregate amount of \$850 posted to the General Fund that should have been allocated to the General and Road and Bridge funds in the amounts of \$278 and \$572, respectively;
- Excess kilowatt-hour revenue in the amount of \$1,374 posted to the Motor Vehicle License Tax Fund that should have been allocated to the General and Road and Bridge funds in the amounts of \$450 and \$924, respectively;
- Road equipment note debt service payments in the aggregate amount of \$3,657 posted to the Gasoline Tax Fund that should have been paid from the Debt Service Fund which had taxes apportioned for such payment; and,
- Equipment/backhoe lease payment in the amount of \$4,079 posted to the Debt Service Fund that should have been paid from the Gasoline Tax Fund.

These adjustments, with which management agrees, have been posted to the Township's accounting records and are reflected within the accompanying financial statements.

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2010-07 (Continued)

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

We recommend the Township Fiscal Officer post the aforementioned receipts in accordance with the statements of semiannual apportionment of taxes received from the Muskingum County Auditor. Additionally, we recommend that debt service payments be posted to the fund consistent with the purpose of the payment.

FINDING NUMBER 2010-08

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, 2009, estimated resources approved by the Budget Commission did not agree to the Township's ledgers for the following funds:

Fund	Estimated Receipts Per Amended Certificate Dated Nov. 19, 2009	Budgeted Receipts per the UAN System	Variance
General Fund	\$45,367	\$37,750	(\$7,617)
Motor Vehicle License	17,000	11,350	(5,650)
Road and Bridge	41,299	38,299	(3,000)
Debt Service	3,933	629	(3,304)
Park Levy	47,814	42,371	(5,443)

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.

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2010-08 (Continued)

Material Weakness (Continued)

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.

FINDING NUMBER 2010-09

Material Weakness

All local public offices shall 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 statement.

The Ohio Township Handbook provides suggested account classifications. 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.

In 2010, the following mispostings were made by the Fiscal Officer:

- Homestead and rollback receipts totaling \$7,754 were posted to property tax receipts instead of intergovernmental receipts in the General Fund, of which \$5,522 should have been posted to the Road and Bridge Fund as discussed in finding number 2010-07;
- Tangible personal property tax replacement receipts totaling \$850 were posted to property tax receipts instead of intergovernmental receipts in the General Fund, of which \$572 should have been posted to the Road and Bridge Fund as discussed in finding number 2010-07; and,
- Debt service payments totaling \$1,793 were posted as public works expenditures instead of principal and interest payments of \$1,667 and \$126, respectively, in the Gasoline Tax Fund. As discussed in finding number 2010-07, these payments should have been made from the Debt Service Fund.

In 2009, the following mispostings were made by the Fiscal Officer:

- Homestead and rollback receipts totaling \$3,815 were posted to property tax receipts instead of intergovernmental receipts in the General Fund, of which \$2,717 should have been posted to the Road and Bridge Fund as discussed in finding number 2010-07;
- Debt service payments totaling \$1,945 were posted as capital outlay expenditures instead of principal and interest payments of \$1,667 and \$278, respectively, in the Road and Bridge Fund. As discussed in finding number 2010-07, these payments should have been made from the Debt Service Fund;

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2010-09 (Continued)

Material Weakness (Continued)

- Electric and gas deregulation, excess IRP, and intangible tax receipts, totaling \$660, were posted to property tax receipts instead of intergovernmental receipts in the General Fund;
- Excess kilowatt hour receipts of \$1,374 were posted as property tax receipts instead of intergovernmental receipts in the General Fund. As discussed in finding number 2010-07, \$924 should have been posted to the Road and Bridge Fund; and,
- Tangible personal property tax receipts of \$123 and \$252 were posted as property taxes instead of intergovernmental receipts in the General and Road and Bridge funds, respectively.

These posting errors resulted in adjustments and reclassifications being made to the financial statements to ensure accurate presentation.

We recommend the Fiscal Officer review guidance within the Ohio Township Handbook to ensure proper postings and classifications are being made.

FINDING NUMBER 2010-10

Significant Deficiency

Management is responsible for designing and implementing internal control policies and procedures to reasonably ensure specific financial objectives will be achieved. A sound internal control structure requires documented procedures to provide management with reasonable assurance that recorded transactions occurred and are not fictitious. Cancelled checks are required as supporting documentation for disbursements made on behalf of the Township. For governments that do not receive their cancelled original or substitute checks, the Auditor of State suggests these governments request that their bank send images of the front and back of all issued checks. This will enable governments to review and scrutinize the transactions and ensure that the payees as well as the various endorsements are appropriate.

For fiscal year 2009, the Township did not provide a cancelled check for 2 of 14, or 14% of the non-payroll disbursements tested; nor for 4 of 48, or 8%, of payroll disbursements tested. For fiscal year 2010, the Township did not provide a cancelled check for 1 of 14, or 7%, of the non-payroll disbursements tested. Also, for fiscal year 2010, the Township did not provide a cancelled check for 8 of 47, or 17% of payroll checks tested for Township elected officials. Furthermore, we noted 4 of 41, or 10% of the disbursements tested for the Township's only employee, were not supported by a cancelled check.

Failure to maintain the appropriate supporting documentation could allow payments to be made to fictitious vendors or allow other errors or irregularities to occur and remain undetected.

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2010-10 (Continued)

Significant Deficiency (Continued)

We recommend the Township obtain a copy of either the original cancelled check or request an image of both the front and back of the cancelled check from their bank institution for all disbursements of the Township and maintain a copy of the cancelled check on file.

FINDING NUMBER 2010-11

Significant Deficiency

In order to ensure the completeness over the Township's financial statements and reports, bank reconciliations should be performed on a monthly basis. The monthly bank reconciliation process should include the investigation and resolution of any variances between amounts reported by the bank and amounts posted to the Township's accounting system. The Fiscal Officer should provide monthly bank reconciliations to the Board of Trustees at monthly meetings to review and approve for any unrecognized errors.

For fiscal years 2009 and 2010, the Board of Trustees did not review or approve, as recorded in the Township minutes, the bank reconciliations prepared by the Fiscal Officer for 18 of the 24 months in the audit period. In addition, as of December 31, 2010, the Township's bank reconciliation contained reconciling factors labeled as "other adjusting factors" of \$1,339. Through our audit procedures, we noted \$1,315 of this variance was a result of a deposit, received from the State of Ohio, processed by the bank on November 4, 2010, which was not promptly posted to the Township's records. The failure to investigate and identify variances and old reconciling items as part of the monthly reconciliation process could result in errors and/or irregularities occurring and remaining undetected. This resulted in an adjustment to intergovernmental receipts of \$1,315, to which management has agreed, to be reflected in the General Fund for fiscal year 2010. Furthermore, this also resulted in time spent by auditors in identifying and investigating these variances which leads to increased costs to the Township.

We recommend the Fiscal Officer perform bank reconciliations on a monthly basis. In order for the reconciliation process to be effective, variances should be promptly investigated and corrected as part of the reconciliation process. In addition, we recommend the Board of Trustees review the Township's bank reconciliations each month to monitor for unusual items and to ensure variances are corrected on a timely basis.

Officials' Response: 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, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Ohio Rev. Code Section 505.24(C) - No documentation for certain trustee compensation paid from the Gasoline Tax Fund	No	Not corrected. Repeated in current audit as finding number 2010-06.
2008-002	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 2010-07.
2008-003	Ohio Rev. Code Section 5705.39 – Appropriations in excess of estimated resources in certain funds.	Yes	
2008-004	Ohio Rev. Code Section 5705.41(D)(1) – Certain transactions tested were not properly certified by the Township.	No	Not corrected. Repeated in current audit as finding number 2010-01.
2008-005	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 2010-09.
2008-006	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 2010-08.



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
DECEMBER 8, 2011**