

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

AUDIT REPORT

JANUARY 1, 2013 - DECEMBER 31, 2014



Dave Yost • Auditor of State

Board of Trustees
Brush Creek Township
6010 Stovertown Road
Philo, Ohio 43771

We have reviewed the *Independent Auditor's Report* of Brush Creek Township, Muskingum County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2013 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Brush Creek Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

November 10, 2015

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**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY
JANUARY 1, 2013 - DECEMBER 31, 2014**

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**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

INDEPENDENT AUDITORS' REPORT

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

To the Township Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Brush Creek Township, Muskingum County, as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility For the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

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

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States, to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonable determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Brush Creek Township, Muskingum County as of December 31, 2014 and 2013, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Brush Creek Township, Muskingum County as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated August 21, 2015, on our consideration of Brush Creek Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
August 21, 2015

**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, 2014**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property and Other Local Taxes	\$ 43,569	\$ 107,612	\$ -	\$ 151,181
Intergovernmental	12,939	102,189	-	115,128
Miscellaneous	414	512	-	926
Total Cash Receipts	<u>56,922</u>	<u>210,313</u>	<u>-</u>	<u>267,235</u>
Cash Disbursements:				
Current:				
General Government	47,703	30,782	-	78,485
Public Safety	11,091	-	-	11,091
Public Works	1,473	159,160	-	160,633
Health	-	10,000	-	10,000
Capital Outlay	-	5,560	-	5,560
Debt Service:				
Principal Retirement	-	14,037	-	14,037
Interest and Fiscal Charges	-	2,520	-	2,520
Total Cash Disbursements	<u>60,267</u>	<u>222,059</u>	<u>-</u>	<u>282,326</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements	(3,345)	(11,746)	-	(15,091)
Other Financing Cash Receipts				
Sale of Capital Assets	-	100	-	100
Other Financing Uses	(500)	-	-	(500)
Total Other Financing Cash Receipts	<u>(500)</u>	<u>100</u>	<u>-</u>	<u>(400)</u>
Net Change in Fund Cash Balance	(3,845)	(11,646)	-	(15,491)
Fund Cash Balances, January 1	<u>80,263</u>	<u>137,674</u>	<u>396</u>	<u>218,333</u>
Fund Cash Balances, December 31				
Restricted	-	126,028	396	126,424
Unassigned (Deficit)	76,418	-	-	76,418
Fund Cash Balances, December 31	<u>\$ 76,418</u>	<u>\$ 126,028</u>	<u>\$ 396</u>	<u>\$ 202,842</u>

See notes to financial statements.

**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, 2013**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property and Other Local Taxes	\$ 70,559	\$ 173,989	\$ -	\$ 244,548
Intergovernmental	27,780	110,092	-	137,872
Miscellaneous	90	782	-	872
Total Cash Receipts	<u>98,429</u>	<u>284,863</u>	<u>-</u>	<u>383,292</u>
Cash Disbursements:				
Current:				
General Government	41,433	20,601	-	62,034
Public Safety	4,232	-	-	4,232
Public Works	1,344	222,876	-	224,220
Health	3,329	-	-	3,329
Capital Outlay	-	90,680	-	90,680
Debt Service:				
Principal Retirement	-	14,037	-	14,037
Interest and Fiscal Charges	-	3,202	-	3,202
Total Cash Disbursements	<u>50,338</u>	<u>351,396</u>	<u>-</u>	<u>401,734</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements	48,091	(66,533)	-	(18,442)
Other Financing Cash Receipts				
Sale of Capital Assets	-	1,825	-	1,825
Total Other Financing Cash Receipts	<u>-</u>	<u>1,825</u>	<u>-</u>	<u>1,825</u>
Net Change in Fund Cash Balance	48,091	(64,708)	-	(16,617)
Fund Cash Balances, January 1, restated	<u>32,172</u>	<u>202,382</u>	<u>396</u>	<u>234,950</u>
Fund Cash Balances, December 31				
Restricted	-	137,674	396	138,070
Unassigned (Deficit)	80,263	-	-	80,263
Fund Cash Balances, December 31	<u>\$ 80,263</u>	<u>\$ 137,674</u>	<u>\$ 396</u>	<u>\$ 218,333</u>

See notes to financial statements.

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Brush Creek Township, Muskingum County, (the Township) as a body corporate and politic. A publically-elected three-member Board of Trustees directs the Township. The Township provides general government services, road & bridge maintenance, fire protection and emergency medical services. The Township contracts with Harrison Township for fire and emergency services.

The Township participates in the Ohio Government Risk Management Plan public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

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 plan. Member governments pay annual premiums to fund the Plan. The Plan pays judgments, settlements and other expenses resulting from covered claims exceeding the member's deductible.

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 accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D) permit.

C. Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

D. 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:

General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

Gasoline Tax Fund – This fund receives gasoline tax monies to pay for constructing, maintaining, and repairing Township roads.

Road & Bridge Fund – This fund receives property tax monies for constructing, maintaining, and repairing Township roads.

Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township has one significant Debt Service Fund: Dump Truck Note Fund, which paid off its debt in 2011 and has a balance of \$396.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and object level of control and appropriations may not exceed estimated resources. The Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G 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 FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED CASH

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

	2014	2013
Demand Deposits	\$ 202,842	\$ 218,333
	\$ 202,842	\$ 218,333

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 102,350	\$ 56,922	\$ (45,428)
Special Revenue	250,000	210,413	(39,587)
Total	\$ 352,350	\$ 267,335	\$ (85,015)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 182,612	\$ 60,767	\$ 121,845
Special Revenue	387,673	222,059	165,614
Total	\$ 570,285	\$ 282,826	\$ 287,459

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 80,460	\$ 98,429	\$ 17,969
Special Revenue	255,311	286,688	31,377
Total	\$ 335,771	\$ 385,117	\$ 49,346

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

NOTES TO FINANCIAL STATEMENTS

3. BUDGETARY ACTIVITY (Continued)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 124,067	\$ 50,338	\$ 73,729
Special Revenue	646,547	351,396	295,151
Debt Service	14,037	-	14,037
Total	\$ 784,651	\$ 401,734	\$ 382,917

Contrary to ORC Section 5705.41(D), the Township had invoices dated prior to certification.
 Contrary to ORC Section 5705.39, all funds in 2013 had appropriations exceeding estimated resources.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Township Trustees. 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.

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, 2014 was as follows:

	Principal	Interest rate
North Valley Bank – Tractor and Mower Loan	\$ 42,110	4.50%
Total	\$ 42,110	

The Township entered into a loan agreement during 2012 to finance the purchase of a new tractor and mowing equipment for Township road maintenance. The equipment collateralizes this agreement. This is paid from the Road & Bridge Fund.

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

Year Ended December 31	Truck
2015	\$ 15,932
2016	15,300
2017	14,676
Total	\$ 45,908

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

NOTES TO FINANCIAL STATEMENTS

6. RETIREMENT SYSTEMS

The Township's full-time employees and elected officials belong to the Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple employer plan. The Ohio Revised Code prescribes the plan benefits, which include postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10.0% of their gross wages and the Township contributed an amount equal to 14.00% of participant's gross salaries. The Township has paid all contributions required through December 31, 2014.

7. RISK MANAGEMENT

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township pays the State Workers' Compensation System a premium based on a rate of per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses of the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 and 783 members as of December 31, 2013 and 2014, respectively.

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

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

NOTES TO FINANCIAL STATEMENTS

7. RISK MANAGEMENT (Continued)

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

The Pools audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2014 the latest information available.

	<u>2013</u>	<u>2014</u>
Assets	\$ 13,774,304	\$ 14,830,185
Liabilities	<u>(7,968,395)</u>	<u>(8,942,504)</u>
Retained Earnings	<u>\$ 5,805,909</u>	<u>\$ 5,887,681</u>

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

8. RESTATEMENT

The Debt Service fund balance of \$396 was added to the beginning balance as of January 1, 2013. Which changed the balance from the prior audit report from total cash of \$234,554 to \$234,950.

**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

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

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

To the Township Trustees:

We have audited, in accordance with auditing standards general accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Brush Creek Township, Muskingum County as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated August 21, 2015, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered Brush Creek Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Finding 2014-01 and 2014-02 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Brush Creek Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed two instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-01 and 2014-03.

Entity's Response to Finding

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

We noted certain matters not requiring inclusion in this report that we have reported to the management of the Brush Creek Township in a separate letter dated August 21, 2015.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
August 21, 2015

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

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

FINDING NUMBER 2014-01

Noncompliance and Material Weakness

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

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

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

The following transactions were posted to the incorrect fund in 2014 and 2013:

- In 2013, Homestead and Rollback receipts were not properly allocated between the General Fund and Road & Bridge Fund. The General Fund was overstated by \$1,224, The MVL Tax Fund was overstated by \$3,342 and the Road & Bridge Fund was understated by \$4,566.
- In 2014, Homestead and Rollback receipts were not properly allocated between the General Fund and Road & Bridge Fund. The General Fund was overstated by \$2,299 and the Road & Bridge Fund was understated by \$2,299.

We recommend that homestead and rollback receipts be posted to the proper fund based on the tax settlement sheets.

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

Client Response: We received no response from the client,

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

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

FINDING NUMBER 2014-02

Material Weakness – Reclassifications and Adjustments

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

The Ohio Township Handbook provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications will provide the Township with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

During 2014 and 2013, the Township's receipts and disbursements were not always posted into accurate classifications or funds. The following misclassifications and adjustments were noted:

- In 2013, homestead and rollback receipts in the amount of \$1,865 were posted to Property and Other Local taxes within the General Fund instead of Intergovernmental receipts. Real Estate Tax receipts were recorded at net instead of gross resulting in revenue and expenses in the General fund and Road & Bridge Fund to be understated by \$3,765 and \$8,750, respectively. Debt Service payments in the amount of \$17,239 were reclassified from Capital Outlay to the proper debt accounts and \$55,188 was reclassified from Capital Outlay to Public Works – Contracted Services.
- In 2013, PERS retirement payments were not posted in the correct funds (not following the salary postings) resulting in the General Fund being understated by \$1,223, The Gasoline Tax Fund being overstated by \$6,267 and the Road & Bridge Fund being understated by \$5,044.
- In 2014, homestead and rollback receipts in the amount of \$939 were posted to Property and Other Local taxes within the General Fund instead of intergovernmental receipts. Real Estate Tax receipts were recorded at net instead of gross resulting in revenue and expenses in the General fund and Road & Bridge Fund to be understated by \$3,114 and \$7,687, respectively. Debt Service payments in the amount of \$116,557 were reclassified from Public Works – Contracted Services to the proper debt accounts.
- In 2014, PERS retirement payments were not posted in the correct funds (not following the salary postings) resulting in the General Fund being understated by \$1,185, The Gasoline Tax Fund being overstated by \$3,080 and the Road & Bridge Fund being understated by \$1,895.

We recommend the Township use the Ohio Township Handbook for reference when posting transactions.

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

Client Response: We received no response from client.

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

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

FINDING NUMBER 2014-03

Noncompliance

Ohio Revised Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. In 2013, the following funds had appropriations greater than estimated resources.

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
General	\$ 105,825	\$ 124,067	\$ (18,242)
MVL Tax	96,050	139,047	(42,997)
Gasoline Tax	115,079	136,392	(21,313)
Road & Bridge	248,461	371,108	(122,647)
Debt Service	396	14,037	(13,641)

We recommend the Township review appropriations throughout the year and compare them to estimated resources and make any adjustment that is necessary to be in compliance with this section.

Client Response: We received no response from client.

**BRUSH CREEK TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2012-001	Finding for Recovery	Yes	Finding No Longer Valid Paid in 2014
2012-002	ORC 5705.10(D) Advances not properly approved in minutes	Yes	Finding No Longer Valid No advances made in 2014 or 2013
2012-003	Material Weakness Budgetary accounts not posted	Yes	Finding No Longer Valid Balances Agreed
2012-004	Material Weakness ORC 5705.10(A)(B) ORC 5705.10(C)(D)	No	Not Corrected - Refer to Findng 2014-01
2012-005	Material Weakness Reclasses of transactions	No	Not Corrected - Refer to Findng 2014-02
2012-006	Debt Issuance	Yes	Finding No Longer Valid No Debt Issued



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
NOVEMBER 24, 2015**