



Mary Taylor, CPA
Auditor of State

**SUGAR CREEK TOWNSHIP
WAYNE COUNTY**

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**SUGAR CREEK TOWNSHIP
WAYNE COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Sugar Creek Township
Wayne County
16821 Withrich Road
P.O. Box 224
Dalton, Ohio 44618

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sugar Creek Township, Wayne County, Ohio, (the Township) as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Sugar Creek Township, Wayne County, Ohio, as of December 31, 2006 and 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund, Gasoline Tax Fund, and Road and Bridge Fund thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

For the years ended December 31, 2006 and 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2007, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

July 16, 2007

Sugar Creek Township, Wayne County
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

This discussion and analysis of Sugar Creek Township's financial performance provides an overall review of the Township's financial activities for the years ended December 31, 2006 and 2005, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2005 are as follows:

Net assets of governmental activities decreased \$80,011 or 13.7 percent, a significant change from the prior year. The funds most affected by the decrease in cash and cash equivalents were the Road and Bridge Fund, the Cable TV Franchise Fund, and the Permissive Motor Vehicle License Tax Fund.

The Township's general receipts are primarily property taxes. These receipts represent 61.5 percent of the total cash received for governmental activities during the year.

Key highlights for 2006 are as follows:

Net assets of governmental activities increased \$81,465, or 16.2 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the General Fund.

The Township's general receipts are primarily property taxes. These receipts represent 55.5 percent of the total cash received for governmental activities during the year.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

Sugar Creek Township, Wayne County
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2006 and 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, the governmental activities include the Township's programs and services, including general government services and road and bridge maintenance. State grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major governmental funds – not the Township as a whole. The Township establishes separate funds to better manage its activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Townships major governmental funds are as follows: General Fund, Gasoline Tax Fund, and Road and Bridge Fund.

Sugar Creek Township, Wayne County
 Management's Discussion and Analysis
 For the Years Ended December 31, 2006 and 2005
 Unaudited

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2006 compared to 2005 on a cash basis:

Since the Township did not prepare financial statement in this format for 2004, a comparative analysis of government-wide data was not presented for 2004. In future years, when prior information is available, a comparative analysis will be presented for three years.

(Table 1)

Net Assets

	Governmental Activities	
	2006	2005
Assets		
Cash and Cash Equivalents	\$584,096	\$502,631
Net Assets		
Restricted for:		
Other Purposes	469,567	443,568
Unrestricted	114,529	59,063
Total Net Assets	\$584,096	\$502,631

As mentioned previously, net assets of governmental activities increased \$81,465 or 16.2 percent during 2006. The primary reasons contributing to the increases in cash balances are as follows:

- Decreased expenditures for road work.
- Large increase in estate tax during 2006.

Net assets of governmental activities decreased \$80,011 or 13.7 percent during 2005.

The primary reason contributing to the decreases in cash balances is as follows:

- There was an increase in expenditures for road work.

Table 2 reflects the changes in net assets on a cash basis in 2006 and 2005 for governmental activities. Since the Township did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data was not presented for 2004. In future years, when prior information is available, a comparative analysis will be presented for three years.

Sugar Creek Township, Wayne County
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

(Table 2)
Changes in Net Assets

	Governmental	
	Activities	
	2006	2005
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$28,717	\$22,652
Operating Grants and Contributions	112,180	97,420
Total Program Receipts	<u>140,897</u>	<u>120,072</u>
General Receipts:		
Property and Other Local Taxes	435,737	421,082
Grants and Entitlements Not Restricted to Specific Programs	188,793	122,543
Cell Tower Rent	18,000	18,000
Cable Franchise Fees	8,677	7,992
Interest	10,135	5,176
Miscellaneous	13,315	16,811
Total General Receipts	<u>674,657</u>	<u>591,604</u>
Total Receipts	<u>815,554</u>	<u>711,676</u>
Disbursements:		
General Government	67,357	68,438
Public Safety	61,845	60,725
Public Works	577,978	610,279
Health	21,241	20,758
Capital Outlay	5,668	31,487
Total Disbursements	<u>734,089</u>	<u>791,687</u>
Increase/(Decrease) in Net Assets	81,465	(80,011)
Net Assets, January 1	<u>502,631</u>	<u>582,642</u>
Net Assets, December 31	<u>\$584,096</u>	<u>\$502,631</u>

Program receipts represent only 17.3 and 16.9 percent of total receipts for 2006 and 2005, respectively, and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

Sugar Creek Township, Wayne County
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

General receipts represent 82.7 and 83.1 percent of the Township's total receipts for 2006 and 2005, respectively, and of this amount, over 64.6 and 71.2 percent, respectively, are local taxes. State grants and entitlements make up the majority of the balance of the Township's general receipts (28.0 and 20.7 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of the Fiscal Officer and trustees as well as internal services such as payroll and purchasing.

Disbursements for Public Safety are the costs of providing fire service to the Township's residents.

Disbursements for Public Works are the costs of constructing, maintaining, and repairing Township roads and bridges.

Governmental Activities

If you look at the Statement of Activities on page 10 and 17, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities in 2006 and 2005 are for public works, which accounts for 78.7 and 77.1 percent, respectively, of all governmental disbursements. General government also represents a significant cost, about 9.2 percent for 2006 and 8.6 percent for 2005. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

Since the Township did not prepare financial statement in this format for 2004, a comparative analysis of government-wide data was not presented for 2004. In future years, when prior information is available, a comparative analysis will be presented for three years.

(Table 3)

Governmental Activities

	Total Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2006	Net Cost of Services 2005
General Government	\$67,357	\$68,438	(\$67,357)	(\$68,438)
Public Safety	61,845	60,725	(49,766)	(54,725)
Public Works	577,978	610,279	(449,160)	(496,207)
Health	21,241	20,758	(21,241)	(20,758)
Capital Outlay	5,668	31,487	(5,668)	(31,487)
Total	\$734,089	\$791,687	(\$593,192)	(\$671,615)

The dependence upon property tax receipts is apparent as over 80.8 and 84.8 percent of governmental activities are supported through these general receipts for 2006 and 2005, respectively.

Sugar Creek Township, Wayne County
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

The Township's Funds

Total governmental funds had receipts of \$815,554 and \$711,676 and disbursements of \$734,089 and \$791,687 for 2006 and 2005, respectively. The greatest change within governmental funds for 2006 and 2005 occurred within the General Fund and Other Governmental Funds, respectively. The fund balance of the General Fund increased \$55,466 during 2006 as the result of increased revenues for estate tax. The fund balance of the Other Governmental Funds decreased \$75,312 during 2005 as a result of increased expenditures for General Government activities and increased costs associated with the maintenance and repair of Township roads mainly within the Cable TV Franchise Fund and the Permissive Motor Vehicle License Tax Fund.

Road and Bridge Fund, Cable TV Franchise Fund, and Permissive Motor Vehicle License Tax Fund receipts were less than disbursements for 2005 indicating that these funds were in a deficit spending situation.

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2006, the Township did not amend its General Fund budget to reflect changing circumstances. Final budgeted receipts were significantly below actual receipts. The Fiscal Officer did not amend his General Fund budget for estate tax receipts of \$67,580.

During 2005, the Township did not amend its General Fund budget to reflect changing circumstances. Final budgeted receipts were below actual receipts due to not budgeting for all anticipated grants.

In 2006, final disbursements were budgeted at \$184,352 while actual disbursements were \$149,267. Less expenditures were incurred during the year than anticipated.

In 2005, final disbursements were budgeted at \$158,687 while actual disbursements were \$124,060. Less expenditures were incurred during the year than anticipated.

Current Issues

The challenge for all Townships is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Jerry Berg, Fiscal Officer, Sugar Creek Township, P.O. Box 224, Dalton, Ohio 44618.

SUGAR CREEK TOWNSHIP
WAYNE COUNTY
Statement of Net Assets - Cash Basis
December 31, 2006

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$584,096
Net Assets	
Restricted for:	
Other Purposes	469,567
Unrestricted	<u>114,529</u>
<i>Total Net Assets</i>	<u><u>\$584,096</u></u>

See accompanying notes to the basic financial statements

SUGAR CREEK TOWNSHIP
WAYNE COUNTY
Statement of Activities - Cash Basis
For the Year Ended December 31, 2006

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General Government	\$67,357			(\$67,357)
Public Safety	61,845	\$12,079		(49,766)
Public Works	577,978	16,638	\$112,180	(449,160)
Health	21,241			(21,241)
Capital Outlay	5,668			(5,668)
<i>Total Governmental Activities</i>	<u>734,089</u>	<u>28,717</u>	<u>112,180</u>	<u>(593,192)</u>
		General Receipts		
		Property Taxes Levied for:		
		General Purposes		45,516
		Road and Bridge		390,221
		Cell Tower Rent		18,000
		Cable Franchise Fees		8,677
		Grants and Entitlements not Restricted to Specific Programs		188,793
		Interest		10,135
		Miscellaneous		13,315
		<i>Total General Receipts</i>		<u>674,657</u>
		Change in Net Assets		81,465
		<i>Net Assets Beginning of Year</i>		<u>502,631</u>
		<i>Net Assets End of Year</i>		<u>\$584,096</u>

See accompanying notes to the basic financial statements

SUGAR CREEK TOWNSHIP
WAYNE COUNTY

Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006

	General	Gasoline Tax	Road and Bridge	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$114,529	\$102,578	\$277,206	\$89,783	\$584,096
Fund Balances					
Unreserved:					
Undesignated, Reported in:					
General Fund	114,529				114,529
Special Revenue Funds		102,578	277,206	89,783	469,567
<i>Total Fund Balances</i>	<u>\$114,529</u>	<u>\$102,578</u>	<u>\$277,206</u>	<u>\$89,783</u>	<u>\$584,096</u>

See accompanying notes to the basic financial statements

**SUGAR CREEK TOWNSHP
WAYNE COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2006*

	General	Gasoline Tax	Road and Bridge	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$45,516		\$390,221	\$16,638	\$452,375
Intergovernmental	135,212	\$93,976	53,581	18,204	300,973
Special Assessments				12,079	12,079
Cable Franchise Fees				8,677	8,677
Interest	3,650	3,925		2,560	10,135
Other	20,355		10,364	596	31,315
<i>Total Receipts</i>	<u>204,733</u>	<u>97,901</u>	<u>454,166</u>	<u>58,754</u>	<u>815,554</u>
Disbursements					
Current:					
General Government	56,513			10,844	67,357
Public Safety	61,845				61,845
Public Works	4,000	92,184	442,469	39,325	577,978
Health	21,241				21,241
Capital Outlay	5,668				5,668
<i>Total Disbursements</i>	<u>149,267</u>	<u>92,184</u>	<u>442,469</u>	<u>50,169</u>	<u>734,089</u>
<i>Excess of Receipts Over Disbursements</i>	<u>55,466</u>	<u>5,717</u>	<u>11,697</u>	<u>8,585</u>	<u>81,465</u>
<i>Fund Balances Beginning of Year</i>	<u>59,063</u>	<u>96,861</u>	<u>265,509</u>	<u>81,198</u>	<u>502,631</u>
<i>Fund Balances End of Year</i>	<u>\$114,529</u>	<u>\$102,578</u>	<u>\$277,206</u>	<u>\$89,783</u>	<u>\$584,096</u>

See accompanying notes to the basic financial statements

**SUGAR CREEK TOWNSHIP
WAYNE COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2006*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$40,940	\$40,940	\$45,516	\$4,576
Intergovernmental	65,649	65,649	135,212	69,563
Interest	700	700	3,650	2,950
Other	18,000	18,000	20,355	2,355
<i>Total Receipts</i>	<u>125,289</u>	<u>125,289</u>	<u>204,733</u>	<u>79,444</u>
Disbursements				
Current:				
General Government	83,611	83,611	56,513	27,098
Public Safety	65,500	65,500	61,845	3,655
Public Works	4,000	4,000	4,000	0
Health	21,241	21,241	21,241	0
Capital Outlay	10,000	10,000	5,668	4,332
<i>Total Disbursements</i>	<u>184,352</u>	<u>184,352</u>	<u>149,267</u>	<u>35,085</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(59,063)</u>	<u>(59,063)</u>	<u>55,466</u>	<u>114,529</u>
<i>Fund Balance Beginning of Year</i>	<u>59,063</u>	<u>59,063</u>	<u>59,063</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$114,529</u>	<u>\$114,529</u>

See accompanying notes to the basic financial statements

**SUGAR CREEK TOWNSHIP
WAYNE COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Gasoline Tax Fund
For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Receipts				
Intergovernmental	\$60,900	\$60,900	\$93,976	\$33,076
Interest	1,400	1,400	3,925	2,525
<i>Total Receipts</i>	<u>62,300</u>	<u>62,300</u>	<u>97,901</u>	<u>35,601</u>
Disbursements				
Current:				
General Government	35,000	35,000		35,000
Public Works	124,161	124,161	92,184	31,977
<i>Total Disbursements</i>	<u>159,161</u>	<u>159,161</u>	<u>92,184</u>	<u>66,977</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(96,861)</u>	<u>(96,861)</u>	<u>5,717</u>	<u>102,578</u>
<i>Fund Balance Beginning of Year</i>	<u>96,861</u>	<u>96,861</u>	<u>96,861</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$102,578</u></u>	<u><u>\$102,578</u></u>

See accompanying notes to the basic financial statements

**SUGAR CREEK TOWNSHIP
WAYNE COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Road and Bridge Fund
For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Receipts				
Property and Other Local Taxes	\$356,500	\$356,500	\$390,221	\$33,721
Intergovernmental	40,500	40,500	53,581	13,081
Other			10,364	10,364
<i>Total Receipts</i>	397,000	397,000	454,166	57,166
Disbursements				
Current:				
Public Works	528,760	528,760	442,469	86,291
Capital Outlay	100,000	100,000		100,000
<i>Total Disbursements</i>	628,760	628,760	442,469	186,291
<i>Excess of Receipts Over (Under) Disbursements</i>	(231,760)	(231,760)	11,697	243,457
<i>Fund Balance Beginning of Year</i>	265,509	265,509	265,509	0
<i>Fund Balance End of Year</i>	\$33,749	\$33,749	\$277,206	\$243,457

See accompanying notes to the basic financial statements

SUGAR CREEK TOWNSHIP
WAYNE COUNTY
Statement of Net Assets - Cash Basis
December 31, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$502,631
Net Assets	
Restricted for:	
Other Purposes	443,568
Unrestricted	<u>59,063</u>
<i>Total Net Assets</i>	<u><u>\$502,631</u></u>

See accompanying notes to the basic financial statements

SUGAR CREEK TOWNSHIP
WAYNE COUNTY
Statement of Activities - Cash Basis
For the Year Ended December 31, 2005

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General Government	\$68,438			(\$68,438)
Public Safety	60,725	\$6,000		(54,725)
Public Works	610,279	16,652	\$97,420	(496,207)
Health	20,758			(20,758)
Capital Outlay	31,487			(31,487)
<i>Total Governmental Activities</i>	<u>791,687</u>	<u>22,652</u>	<u>97,420</u>	<u>(671,615)</u>
General Receipts				
Property Taxes Levied for:				
General Purposes				43,150
Road and Bridge				377,932
Cell Tower Rent				18,000
Cable Franchise Fees				7,992
Grants and Entitlements not Restricted to Specific Programs				122,543
Interest				5,176
Miscellaneous				16,811
<i>Total General Receipts</i>				<u>591,604</u>
Change in Net Assets				(80,011)
<i>Net Assets Beginning of Year</i>				<u>582,642</u>
<i>Net Assets End of Year</i>				<u>\$502,631</u>

See accompanying notes to the basic financial statements

**SUGAR CREEK TOWNSHIP
WAYNE COUNTY**

*Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005*

	General	Gasoline Tax	Road and Bridge	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$59,063	\$96,861	\$265,509	\$81,198	\$502,631
Fund Balances					
Unreserved:					
Undesignated, Reported in:					
General Fund	59,063				59,063
Special Revenue Funds		96,861	265,509	81,198	443,568
<i>Total Fund Balances</i>	<u>\$59,063</u>	<u>\$96,861</u>	<u>\$265,509</u>	<u>\$81,198</u>	<u>\$502,631</u>

See accompanying notes to the basic financial statements

**SUGAR CREEK TOWNSHP
WAYNE COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005*

	General	Gasoline Tax	Road and Bridge	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$43,150		\$377,932	\$16,652	\$437,734
Intergovernmental	77,834	\$79,117	44,709	18,303	219,963
Special Assessments				6,000	6,000
Cable Franchise Fees				7,992	7,992
Interest	1,312	1,857		2,007	5,176
Other	26,765		8,046		34,811
<i>Total Receipts</i>	<u>149,061</u>	<u>80,974</u>	<u>430,687</u>	<u>50,954</u>	<u>711,676</u>
Disbursements					
Current:					
General Government	42,852			25,586	68,438
Public Safety	60,450			275	60,725
Public Works		72,194	437,680	100,405	610,279
Health	20,758				20,758
Capital Outlay			31,487		31,487
<i>Total Disbursements</i>	<u>124,060</u>	<u>72,194</u>	<u>469,167</u>	<u>126,266</u>	<u>791,687</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>25,001</u>	<u>8,780</u>	<u>(38,480)</u>	<u>(75,312)</u>	<u>(80,011)</u>
<i>Fund Balances Beginning of Year</i>	<u>34,062</u>	<u>88,081</u>	<u>303,989</u>	<u>156,510</u>	<u>582,642</u>
<i>Fund Balances End of Year</i>	<u>\$59,063</u>	<u>\$96,861</u>	<u>\$265,509</u>	<u>\$81,198</u>	<u>\$502,631</u>

See accompanying notes to the basic financial statements

**SUGAR CREEK TOWNSHIP
WAYNE COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2005*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$40,840	\$40,840	\$43,150	\$2,310
Intergovernmental	67,449	67,449	77,834	10,385
Interest	1,200	1,200	1,312	112
Other	18,000	18,000	26,765	8,765
<i>Total Receipts</i>	<u>127,489</u>	<u>127,489</u>	<u>149,061</u>	<u>21,572</u>
Disbursements				
Current:				
General Government	72,429	72,429	42,852	29,577
Public Safety	65,500	65,500	60,450	5,050
Health	20,758	20,758	20,758	
<i>Total Disbursements</i>	<u>158,687</u>	<u>158,687</u>	<u>124,060</u>	<u>34,627</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(31,198)</u>	<u>(31,198)</u>	<u>25,001</u>	<u>56,199</u>
<i>Fund Balance Beginning of Year</i>	<u>34,062</u>	<u>34,062</u>	<u>34,062</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$2,864</u></u>	<u><u>\$2,864</u></u>	<u><u>\$59,063</u></u>	<u><u>\$56,199</u></u>

See accompanying notes to the basic financial statements

**SUGAR CREEK TOWNSHIP
WAYNE COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Gasoline Tax Fund
For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Receipts				
Intergovernmental	\$60,900	\$60,900	\$79,117	\$18,217
Interest	1,400	1,400	1,857	457
<i>Total Receipts</i>	<u>62,300</u>	<u>62,300</u>	<u>80,974</u>	<u>18,674</u>
Disbursements				
Current:				
General Government	65,000	70,000		70,000
Public Works	85,381	80,381	72,194	8,187
<i>Total Disbursements</i>	<u>150,381</u>	<u>150,381</u>	<u>72,194</u>	<u>78,187</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(88,081)</u>	<u>(88,081)</u>	<u>8,780</u>	<u>96,861</u>
<i>Fund Balance Beginning of Year</i>	<u>88,081</u>	<u>88,081</u>	<u>88,081</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$96,861</u></u>	<u><u>\$96,861</u></u>

See accompanying notes to the basic financial statements

**SUGAR CREEK TOWNSHIP
WAYNE COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Road and Bridge Fund
For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$356,900	\$356,900	\$377,932	\$21,032
Intergovernmental	40,500	40,500	44,709	4,209
Other			8,046	8,046
<i>Total Receipts</i>	397,400	397,400	430,687	33,287
Disbursements				
Current:				
Public Works	601,389	600,989	437,680	163,309
Capital Outlay	100,000	100,000	31,487	68,513
<i>Total Disbursements</i>	701,389	700,989	469,167	231,822
<i>Excess of Receipts (Under) Disbursements</i>	(303,989)	(303,589)	(38,480)	265,109
<i>Fund Balance Beginning of Year</i>	303,989	303,989	303,989	0
<i>Fund Balance End of Year</i>	\$0	\$400	\$265,509	\$265,109

See accompanying notes to the basic financial statements

**SUGAR CREEK TOWNSHIP
WAYNE COUNTY**

Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 1 – Reporting Entity

Sugar Creek Township, Wayne County, Ohio, (the Township) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the Dalton Volunteer Fire Department, the Kidron Volunteer Fire Department and the City of Orrville for fire protection. Police protection is provided by the Wayne County Sheriff's Department.

B. Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township.

Sugar Creek Township has no component units.

C. Public Entity Risk Pools

The Township participates in a public entity risk pool. Note 12 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

Ohio Government Risk Management Plan. See Note 12.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Township's accounting policies.

**SUGAR CREEK TOWNSHIP
WAYNE COUNTY**

Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 2 – Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. The Township does not report any business-type activities which are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. All of the Township's funds are categorized as governmental.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are the General Fund, Gasoline Tax Fund, and Road and Bridge Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio. The Gasoline Tax Fund is used to account for gasoline tax money which the Township can only use to pay for constructing, maintaining, and repairing Township roads. The Road and Bridge Fund is used to account for tax money which the Township can only use for constructing, maintaining, and repairing Township roads.

**SUGAR CREEK TOWNSHIP
WAYNE COUNTY**

Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 2 – Summary of Significant Accounting Policies (Continued)

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Investments

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

The Township had no investments during fiscal years 2005 and 2006.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2006 and 2005 was \$3,650 and \$1,312, respectively.

**SUGAR CREEK TOWNSHIP
WAYNE COUNTY**

Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 2 – Summary of Significant Accounting Policies (Continued)

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. During 2006 and 2005, the Township did not report any restricted assets.

G. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Interfund Receivables/Payables

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's cash basis of accounting.

K. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for road work.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

**SUGAR CREEK TOWNSHIP
WAYNE COUNTY**

Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 2 – Summary of Significant Accounting Policies (Continued)

N. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods.

O. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Change in Basis of Accounting

During 2004 the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. During 2005 the Township has implemented the cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

Note 4 – Compliance

Contrary to Ohio Rev. Code Section 5705.41(D), during 2005 and 2006, 100 percent and 27 percent of the expenditures tested were not certified by the Fiscal Officer prior to incurring the obligation.

Contrary to Ohio Rev. Code Sections 5705.10, 5735.27 and Article XII, Section 5a of the Ohio Constitution, money intended for road expenses were used to pay non-road related expenses.

Contrary to Ohio Rev. Code Section 505.24, trustees were originally paid their salary from funds other than the General Fund without a resolution in place indicating they were performing services for those other funds.

Note 5 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Gasoline Tax Fund, and Road and Bridge Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

Note 6 – Deposits and Investments

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

**SUGAR CREEK TOWNSHIP
WAYNE COUNTY**

Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 6 - Deposits and Investments (Continued)

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2006 and 2005, \$509,747 and \$423,450 of the Township's bank balance of \$609,747 and \$523,450 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

**SUGAR CREEK TOWNSHIP
WAYNE COUNTY**

Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 6 - Deposits and Investments (Continued)

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2006 and 2005, the Township had no investments.

Note 7 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 and 2006 represent the collection of 2004 and 2005 taxes, respectively. Real property taxes received in 2005 and 2006 were levied after October 1, 2004 and 2005, on the assessed values as of January 1, 2004 and 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 and 2006 represent the collection of 2004 and 2005 taxes. Public utility real and tangible personal property taxes received in 2005 and 2006 became a lien on December 31, 2004 and 2005, were levied after October 1, 2004 and 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 and 2006 (other than public utility property) represent the collection of 2005 and 2006 taxes. Tangible personal property taxes received in 2005 and 2006 were levied after October 1, 2004 and 2005, on the true value as of December 31, 2004 and 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the years ended December 31, 2006 and 2005, were \$5.20 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 and 2006 property tax receipts were based are as follows:

	2006	2005
Real Property		
Residential/Agriculture	\$93,406,560	\$85,607,230
Other Real	15,942,360	16,171,720
Tangible Personal Property	12,171,690	12,668,848
Public Utility	3,418,250	4,290,190
Total Assessed Value	<u>\$124,938,860</u>	<u>\$118,737,988</u>

**SUGAR CREEK TOWNSHIP
WAYNE COUNTY**

Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 8 – Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2006 and 2005, the Township contracted with Ohio Government Risk Management Plan (OGRMP), a risk sharing pool available to Ohio Townships. OGRMP provides comprehensive, liability and property coverage for its members. Coverage provided by OGRMP is as follows:

General Liability	\$4,000,000	Per Occurrence
Employers Liability	4,000,000	Per Occurrence
Employee Benefits Liability	1,000,000	Per Occurrence
Public Officials Liability	4,000,000	Per Occurrence
Automobile	4,000,000	Each Accident
Property	340,000	Total Coverage
Inland Marine	332,610	Total Coverage
Electronic Equipment	5,000	Total Coverage
Crime Coverage	5,000	Total Coverage
Boiler & Machinery	340,400	Total Coverage

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

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

Note 9 – Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the years ended December 31, 2006 and 2005, the members of all three plans were required to contribute 9.0 percent and 8.5 percent, respectively, of their annual covered salaries. The Township's contribution rate for pension benefits for 2006 and 2005 were 13.70 and 13.55 percent, respectively. The Ohio Revised Code provides statutory authority for member and employer contributions.

**SUGAR CREEK TOWNSHIP
WAYNE COUNTY**

Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 9 – Defined Benefit Pension Plan (Continued)

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$19,525, \$19,434, and \$19,452 respectively. The full amounts have been contributed for 2006, 2005 and 2004.

Note 10 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 and 2005 local government employer contribution rate was 13.70 and percent of covered payroll; 4.5 and 4.0 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,214. Actual employer contributions for 2006 and 2005 which were used to fund postemployment benefits were \$6,413 and \$5,737, respectively. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Note 11 – Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**SUGAR CREEK TOWNSHIP
WAYNE COUNTY**

Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 12 – 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 program and other administrative services to approximately 460 Ohio governments ("Members").

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

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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

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 obligation to the Plan. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004 (the latest information available):

	<u>2005</u>	<u>2004</u>
Assets	\$8,219,430	\$6,685,522
Liabilities	<u>(2,748,639)</u>	<u>(2,227,808)</u>
Members' Equity	<u>\$5,470,791</u>	<u>\$4,457,714</u>

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

Note 13 – Related Party Transactions

During 2006 and 2005, the Township paid an employee's separate lawn company \$4,150 and \$3,900, respectively, for mowing services.



Mary Taylor, CPA

Auditor of State

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

Sugar Creek Township
Wayne County
16821 Withrich Road
P.O. Box 224
Dalton, Ohio 44618

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sugar Creek Township, Wayne County, Ohio, (the Township) as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated July 16, 2007, wherein we noted the Township revised its financial statements for 2006 and 2005, making them comparable to the requirements of Governmental Auditing Standards Board Statement Number 34, Basic Financial Statements and Management's Discussion and Analysis for the State and Local Governments. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. 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(B) and 115.56 mandate 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 expressing our opinion on the financial statements, but not to opine 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2006-001 through 2006-003.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We believe none of the significant deficiencies described above are material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated July 16, 2007.

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 matter that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2006-001 – 2006-003.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated July 16, 2007.

The Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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



Mary Taylor, CPA
Auditor of State

July 16, 2007

**SUGAR CREEK TOWNSHIP
WAYNE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

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

FINDING NUMBER 2006-001

Noncompliance Citation and Significant Deficiency

Ohio Rev. Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates 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.
3. **Super Blanket Certificate** – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During 2006 and 2005, 27% and 100%, respectively, of the expenditures tested were not certified by the Fiscal Officer prior to incurring the obligation. It was also found that none of the three exceptions above were utilized for the items found to be in noncompliance. The failure to properly certify the availability of funds can result in overspending and negative cash fund balances.

FINDING NUMBER 2006-001 (Continued)

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Township Fiscal Officer certify the funds are or will be available prior to the obligation by the Township. When prior certification is not possible "then and now" certification should be used.

Officials' Response: The Township Trustees and Fiscal Officer plan to open purchase orders and blanket certificates at the January meeting, by Resolution, before any purchases are made. In the event a purchase is made, absent a purchase order or blanket certificate, a then and now purchase order will be used.

FINDING NUMBER 2006-002

Noncompliance Citation and Significant Deficiency

Ohio Rev. Code Section 5705.10 (H) states that money paid into any fund shall be used only for the purposes for which such fund is established.

During 2006 and 2005, the Township expended \$33,411 and \$33,749, respectively from the Road and Bridge Fund to pay for expenses that were not related to the purposes established for road and bridge revenue. These expenses included various insurance premiums, Trustee salary, and Township Fiscal Officer and Trustees' Ohio Public Employees Retirement System employer contributions, not attributable to maintenance of roads.

Article XII, Section 5a of the Ohio Constitution states that no monies derived from fees, excises, or license taxes relating to registration, operation, or use of vehicles on public highway, or to fuels used for propelling such vehicles, shall be expended for other than costs of administering such laws, statutory refunds and adjustments provided therein, payment of highway obligations, costs for construction, reconstruction, maintenance and repair of public highways and bridges and other statutory highway purposes, expense of state enforcement of traffic laws, and expenditures authorized for hospitalization of indigent persons injured in motor vehicle accidents on the public highways.

Further, **Ohio Revised Code Section 5735.27** provides in part that gasoline tax receipts may be expended by a township only for the purposes of planning, constructing, maintaining, widening, and reconstructing the public roads and highways within the township.

During 2005, the Township expended \$11,776 of gasoline tax revenue to pay for expenses that were not related to the purposes established for gasoline tax revenue. These expenses included Uniform Accounting Network fees, audit fees, cemetery mowing, fire services and Trustee salary not attributable to maintenance of roads.

During 2006, the Township expended \$8,713 of gasoline tax revenue to pay for expenses that were not related to the purposes established for gasoline tax revenue. These expenses included Uniform Accounting Network fees, cemetery mowing, and Trustee salary not attributable to maintenance of roads.

The use of the Township's gasoline excise tax revenue and Road and Bridge Fund revenue to pay the costs associated with those described is not a permissible expenditure of funds paid from the Gasoline Tax Fund and Road and Bridge Fund. This could result in material misstatement of individual fund balances. We recommend the Township develop internal control procedures to ensure expenditures are paid from the proper funds. The Township Fiscal Officer should review the Ohio Township Handbook for guidance on allowable expenditures from various funds.

FINDING NUMBER 2006-002 (Continued)

The Township Fiscal Officer has posted adjustments to reimburse the Gasoline Tax Fund and Road and Bridge Fund from the Cable Franchise Fee Fund for 2005 and from the Cable Franchise Fee Fund and General Fund for 2006, which are reflected in the financial statements.

Officials' Response: The Township Trustees and Fiscal Officer plan to pay trustees salaries from the General Fund thus eliminating the citation problem. If not enough funds are available in the General Fund, then two courses of action will be taken. One, a court approved transfer will be made or two, time cards will be used by the Trustees.

FINDING NUMBER 2006-003

Noncompliance Citation and Significant Deficiency

Ohio Rev. Code Section 505.24 states the Township Trustees shall be paid from the township general fund or from such other township funds in such proportions as the board may specify by resolution. This means the salary resolution must allocate the salary distribution from various funds in the same proportion as the trustees' services bear to the activities supported by such funds, as determined by the board.

For 2006 and 2005, 50% (\$29,097) of the Township Trustees' salaries were paid from the Road and Bridge Fund and 50% (\$29,097) from the Gasoline Tax Fund. In addition, 100% (\$7,929) of the Township Trustee's Ohio Public Employees Retirement system employer contributions were paid from the Road and Bridge Fund. There was no resolution in effect which indicated that Trustees' salaries or retirement contributions should be paid from any fund other than the General Fund, and no evidence was provided to indicate what portion of the Trustees' time was devoted to activities supported by the Road and Bridge Fund and Gasoline Tax Fund. This could result in material misstatement of individual fund balances. We recommend the Township develop internal control procedures to ensure elected official's salaries and benefits are paid from appropriate funds as required by the Ohio Revised Code. The Township Fiscal Officer should review the Ohio Township Handbook and applicable Ohio Revised Code section for guidance on allowable funds to pay elected official's salaries and benefits.

However, on July 3, 2007, the Board of Trustees passed a resolution retroactive to January 1, 2005, which allowed 45% of the Township Trustees' salaries to be paid from the Road and Bridge Fund, 45% from the Gasoline Tax Fund and 10% from the General Fund based on the estimated level of service provided by the Trustees during the audit period.

The Township Fiscal Officer has posted adjustments to reflect these percentages and the accounting system and accompanying financial statements have been adjusted.

Officials' Response: The Township Trustees and Fiscal Officer plan to pay trustees salaries from the General Fund thus eliminating the citation problem. If not enough funds are available in the General Fund, then two courses of action will be taken. One, a court approved transfer will be made or two, time cards will be used by the Trustees.

**SUGAR CREEK TOWNSHIP
WAYNE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Ohio Rev. Code Section 5705.41(D)	No	Not Corrected. See Finding Number 2006-001.



Mary Taylor, CPA
Auditor of State

SUGAR CREEK TOWNSHIP

WAYNE 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
AUGUST 7, 2007**