

**SUTTON TOWNSHIP
MEIGS COUNTY
Regular Audit
For the Years Ended December 31, 2011 and 2010**

Perry & Associates
Certified Public Accountants, A.C



Dave Yost • Auditor of State

Board of Trustees
Sutton Township
31865 Pleasant View Road
Racine, Ohio 45771

We have reviewed the *Independent Accountants' Report* of Sutton Township, Meigs County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2010 through December 31, 2011. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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. Sutton 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

December 5, 2012

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**SUTTON TOWNSHIP
MEIGS COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

August 17, 2012

Sutton Township
Meigs County
31865 Pleasant View Road
Racine, OH 45771

To the Board of Trustees:

We have audited the accompanying financial statements of **Sutton Township**, Meigs County, Ohio, (the Township) as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of the State permits, but does not require Townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2011 and 2010 or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of Sutton Township, Meigs County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1F, during 2011, Sutton Township, Meigs County, adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2012, 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.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.

**SUTTON TOWNSHIP
MEIGS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Property and Other Local Taxes	\$ 27,195	\$ 87,878	\$ -	\$ 115,073
Intergovernmental	26,026	145,698	-	171,724
Earnings on Investments	395	-	-	395
Miscellaneous	625	8,539	-	9,164
	<u>54,241</u>	<u>242,115</u>	<u>-</u>	<u>296,356</u>
Total Cash Receipts				
	<u>54,241</u>	<u>242,115</u>	<u>-</u>	<u>296,356</u>
Cash Disbursements:				
Current:				
General Government	72,824	-	-	72,824
Public Safety	-	38,500	-	38,500
Public Works	-	152,380	-	152,380
Health	-	23,856	-	23,856
Capital Outlay	28,000	-	-	28,000
Debt Service:				
Principal Retirement	7,074	14,933	-	22,007
Interest and Fiscal Charges	1,426	477	-	1,903
	<u>109,324</u>	<u>230,146</u>	<u>-</u>	<u>339,470</u>
Total Cash Disbursements				
	<u>109,324</u>	<u>230,146</u>	<u>-</u>	<u>339,470</u>
Excess of Receipts Over (Under) Disbursements	<u>(55,083)</u>	<u>11,969</u>	<u>-</u>	<u>(43,114)</u>
Other Financing Receipts (Disbursements):				
Debt Proceeds	28,000	15,410	-	43,410
Transfers In	-	10,000	-	10,000
Transfers Out	(10,000)	-	-	(10,000)
Advances In	34,410	15,000	-	49,410
Advances Out	-	(49,410)	-	(49,410)
	<u>52,410</u>	<u>(9,000)</u>	<u>-</u>	<u>43,410</u>
Total Other Financing Receipts (Disbursements)				
	<u>52,410</u>	<u>(9,000)</u>	<u>-</u>	<u>43,410</u>
Net Change in Fund Cash Balances	(2,673)	2,969	-	296
Fund Cash Balances, January 1	8,488	41,663	4,383	54,534
	<u>8,488</u>	<u>41,663</u>	<u>4,383</u>	<u>54,534</u>
Fund Cash Balances, December 31				
Nonspendable	-	-	4,383	4,383
Restricted	-	44,632	-	44,632
Unassigned	5,815	-	-	5,815
	<u>5,815</u>	<u>-</u>	<u>-</u>	<u>5,815</u>
Fund Cash Balances, December 31	<u>\$ 5,815</u>	<u>\$ 44,632</u>	<u>\$ 4,383</u>	<u>\$ 54,830</u>

The notes to the financial statements are an integral part of the financial statements

**SUTTON TOWNSHIP
MEIGS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Property and Other Local Taxes	\$ 35,947	\$ 69,465	\$ -	\$ 105,412
Intergovernmental	23,296	101,610	-	124,906
Earnings on Investments	1,058	-	-	1,058
Miscellaneous	-	6,068	-	6,068
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Total Cash Receipts	60,301	177,143	-	237,444
	<hr/>	<hr/>	<hr/>	<hr/>
Cash Disbursements:				
Current:				
General Government	62,339	-	-	62,339
Public Safety	-	36,881	-	36,881
Public Works	-	153,902	-	153,902
Health	-	21,855	-	21,855
Other	444	-	-	444
Debt Service:				
Principal Retirement	-	6,991	-	6,991
Interest and Fiscal Charges	-	987	-	987
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	62,783	220,616	-	283,399
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Receipts Over (Under) Disbursements	(2,482)	(43,473)	-	(45,955)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	10,970	85,136	4,383	100,489
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Fund Cash Balances, December 31	\$ 8,488	\$ 41,663	\$ 4,383	\$ 54,534
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The notes to the financial statements are an integral part of this statement

**SUTTON TOWNSHIP
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Sutton Township, Meigs County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance and fire protection. The Township is involved with the Syracuse-Racine Regional Sewer District, which is defined as a jointly governed organization. Additional information concerning the jointly governed organization is presented in Note 7.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor or State prescribes or permits.

C. Deposits and Investments

The Township Fiscal Officer invests all available funds of the Township in an interest-bearing checking account and certificates of deposit that are valued at cost.

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:

1. General Fund

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

2. Special Revenue Funds

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

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

**SUTTON TOWNSHIP
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Permanent Funds

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant Permanent Fund:

Cemetery Bequest Fund – This fund receives monies from the estate of deceased citizens for the general upkeep of the cemeteries maintained by the Township.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, and object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year-end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011, 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.

**SUTTON TOWNSHIP
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

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 it 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.

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.

**SUTTON TOWNSHIP
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Continued)**

2. EQUITY IN POOLED DEPOSITS

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

	2011	2010
Demand deposits	\$ 46,686	\$ 46,404
Certificates of deposit	8,144	8,130
Total deposits	\$ 54,830	\$ 54,534

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 34,182	\$ 82,241	\$ 48,059
Special Revenue	186,713	267,525	80,812
Total	\$ 220,895	\$ 349,766	\$ 128,871

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 41,199	\$ 119,324	\$ (78,125)
Special Revenue	241,031	230,146	10,885
Total	\$ 282,230	\$ 349,470	\$ (67,240)

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 35,884	\$ 60,301	\$ 24,417
Special Revenue	168,063	177,143	9,080
Total	\$ 203,947	\$ 237,444	\$ 33,497

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 50,550	\$ 62,783	\$ (12,233)
Special Revenue	237,800	220,616	17,184
Total	\$ 288,350	\$ 283,399	\$ 4,951

**SUTTON TOWNSHIP
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio law, budgeted expenditures exceeded appropriation authority in the General, Gasoline Tax, Road and Bridge, and Fire District Funds for the year ended December 31, 2011 and the General, Road and Bridge, and Fire District Funds for the year ended December 31, 2010. Also contrary to Ohio law, appropriations exceeded estimated resources in the General, Motor Vehicle License and Gasoline Tax Funds for the year ended December 31, 2010. Also contrary to Ohio law, actual receipts were below estimated receipts and the deficiency reduced available resources below appropriations in the Gasoline Tax and Cemetery Funds for the year ended December 31, 2011. Also contrary to Ohio law, expenditures were not properly encumbered for the years ended December 31, 2011 and December 31, 2010.

4. DEBT

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2005 GMC Dump Truck	\$ 36,337	4.500 %

The 2003 Chevy Dump Truck Note was issued in 2007, in the amount of \$35,000. The Township made an annual payment on the note of \$7,978. The note was backed by the full faith and credit of the Township. This loan was retired in 2011 through proceeds from the 2005 GMC Dump Truck Note.

The 2005 GMC Dump Truck Note was issued in 2011, in the amount of \$43,410. Of the \$43,410 in debt proceeds, \$28,000 was used to purchase the 2005 GMC Dump Truck and \$15,410 was used to pay off the outstanding 2003 Chevy Dump Truck Note. The Township makes an annual payment on the note of \$8,500. The note is backed by the full faith and credit of the Township.

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

<u>Year ending December 31:</u>	<u>2005 Dump Truck</u>
2012	\$ 8,500
2013	8,500
2014	8,500
2015	8,500
2016	7,280
Total	<u>\$ 41,280</u>

**SUTTON TOWNSHIP
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Continued)**

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board of Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The Financial Statements include homestead and rollback amounts the State pays as Intergovernmental Receipts.

Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

6. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2011 and 2010, members of PERS contributed 10% of their gross salaries. The Township contributed an amount equal to 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2011.

7. JOINTLY GOVERNED ORGANIZATION

The Syracuse-Racine Regional Sewer District is a regional sewer district organized under Chapter 6119 of the Ohio Revised Code. The District operates under the direction of a three member Board of Trustees whose membership is composed of one appointment from each of the participating political subdivisions.; Sutton Township, Township of Syracuse, and Township of Racine. The membership elects a President, Vice-President, and a Secretary-Treasurer, who are responsible for fiscal control of the financial resources of the District.

To obtain financial information, write to the Syracuse-Racine Regional Sewer District, Dennie Hill, Secretary-Treasurer, at P.O. Box 201, Racine, Ohio 45771.

8. RISK MANAGEMENT

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

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

**SUTTON TOWNSHIP
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Continued)**

8. RISK MANAGEMENT (Continued)

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (APRCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by APRCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the latest information available):

	<u>2010</u>	<u>2009</u>
Assets	\$35,855,252	\$38,982,088
Liabilities	<u>(10,644,724)</u>	<u>(12,880,766)</u>
Net Assets	<u>\$25,190,528</u>	<u>\$26,101,322</u>

At December 31, 2010 and 2009, respectively, liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Township's share of these unpaid claims collectible in future years is approximately \$2,000.

**SUTTON TOWNSHIP
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Continued)**

8. RISK MANAGEMENT (Continued)

Financial Position (Continued)

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
<u>2011</u>	<u>2010</u>
\$3,264	\$2,854

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

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

August 17, 2012

Sutton Township
Meigs County
31865 Pleasant View Road
Racine, OH 45771

To the Board of Trustees:

We have audited the financial statements of **Sutton Township, Meigs County**, (the Township) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated August 17, 2012, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and has adopted Governmental Accounting Standards Board Statement No. 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-001 through 2011-005 described in the accompanying schedule of audit findings to be material weaknesses.

Sutton Township
Meigs County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of audit findings as items 2011-002 through 2011-004.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 17, 2012.

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

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.

**SUTTON TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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

FINDING NUMBER 2011-001

Material Weakness

Posting Receipts and Disbursements

Receipts and disbursements should be posted to the fund and line item accounts as established by Ohio Administrative Code.

Receipts and disbursements were not always posted correctly. For example;

- Property and Other Local Taxes receipts were recorded at the net amount instead of the gross amount in the General and Special Revenue Funds in 2011 and 2010.
- Intergovernmental receipts were improperly recorded as Property and Other Local Taxes receipts in the General and Special Revenue Funds in 2011 and 2010.
- Debt Proceeds, Principal Retirement and Interest and Fiscal Charges were not recorded properly in the Special Revenue Funds in 2011.
- FEMA receipts were not recorded in the manual accounting system in a separate Special Revenue Fund in 2011.
- OPERS and other expenditures not recorded in the manual accounting system in 2011 and 2010.
- Interest income not recorded in the manual accounting system in 2011.

This resulted in several adjustments and reclassifications being made to the Township's financial statements. The financial statements reflect all adjustments and reclassifications and all adjustments have been made to the client's manual accounting system.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues and expenditures are properly identified and classified on the financial statements. We also recommend the Fiscal Officer refer to Ohio Administrative Code Section 117-7-01 and/or the Ohio Township Handbook for guidance to determine the proper establishment of receipt and expenditure accounts and posting of receipts and expenditures.

Management's Response – We did not receive a response from officials to this finding.

**SUTTON TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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

FINDING NUMBER 2011-002

Material Weakness/Noncompliance

Budgetary Controls

The budget is an instrument of public policy: A governing Board of Trustees expresses its desires for using a government's limited resources through its appropriations. Ohio Rev. Code Section 5705 deals with a variety of budgetary requirements that all subdivisions must comply with in order to ensure fiscal responsibility.

In performing the audit we noted several violations of budgetary law which, although they do not in and of themselves, result in errors in financial reporting, may lead to the Township making financial decisions based on incorrect or incomplete information. We noted the following:

- Violations of 5705.36 indicating actual receipts were below estimated receipts and the deficiency reduced available resources below appropriations.
- Violations of 5705.39 indicating appropriations cannot exceed estimated resources;
- Violations of 5705.41(B) stating no subdivision is to expend money unless it has been appropriated (expenditures exceeded appropriations);
- Violations of 5705.41(D) relating to expenditures having prior certification of availability of funds.

In addition, The Township did not have a control procedure in place to ensure that appropriations and estimated receipts, as authorized by the Township Board of Trustees and approved by the County Budget Commission, were reconciled to the appropriations and estimated receipts posted to the accounting system. This resulted in incorrect amounts posted to the accounting system and information available to Township officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate. We recommend the Township implement procedures to ensure appropriations and estimated receipts are accurately posted to the accounting system and reconciled to the amounts approved by the budget commission after each amendment.

The Board of Trustees does not monitor for budgetary compliance. Although the Board of Trustees approves budgets for revenue and expenses and receives monthly reports of budget and actual information, it does not ensure budgetary forms are properly completed, submitted to the County Budget Commission timely or that transfers are done in compliance with laws and regulations. The Board of Trustees also has not assured that the accounting system is adequate to incorporate budgetary requirements.

The Board of Trustees should review the requirements of ORC section 5705 to be familiar with these laws and to make sure the Township is complying with applicable sections. We recommend the Township establish a procedure that ensures budgetary forms are submitted to the County accurately and timely. This could include a checklist of forms and due dates. Board of Trustees should also consider the need to move from a manual system to a computerized system that will incorporate budgetary requirements. If the Board of Trustees does not consider this necessary steps should be taken to make sure amounts are encumbered (purchase orders are used and assigned to each purchase prior to ordering), certifications of available funds are done by the Fiscal Officer prior to purchasing and unencumbered balances are tracked for each line item.

Management's Response – We did not receive a response from officials to this finding.

**SUTTON TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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

FINDING NUMBER 2011-003

Material Weakness/Noncompliance

Ohio Revised Code § 733.28 requires the Township Fiscal Officer to maintain the books of the Township and exhibit accurate statements of all monies received and expended. In, addition Ohio Administrative Code Section 117-2-02(A) requires all local public offices to 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 Fiscal Officer did maintain receipt ledgers and expenditure ledgers for 2011 and 2010; however, the Receipt Journal and Appropriation Ledger did not agree to the Cash Journal and there were errors in footing and cross-footing of balances. In addition, the ledgers did not incorporate budgetary amounts.

We recommend the Fiscal Officer review the requirements of Ohio Rev. Code Section 733.28, Ohio Administrative Code Section 117-2-02(A), and the Township Officer’s Handbook as guidance in preparing and maintaining the required accounting records. These resources can be found on the Auditor of State’s website at www.auditor.state.oh.us/LocalGovernment.

Management’s Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2011-004

Material Weakness/Noncompliance

Ohio Rev. Code Section 5705.10 requires that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The Township had negative fund balances at December 31, 2010 as follows:

<u>Fund</u>	<u>Deficit</u>
Gasoline Tax	(\$3,318)

The Township had negative fund balances at December 31, 2011 as follows:

<u>Fund</u>	<u>Deficit</u>
Gasoline Tax	(\$19,416)
Cemetery	(\$3,308)

**SUTTON TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2011-004 (Continued)

Material Weakness/Noncompliance (Continued)

We recommend the Township monitor their fund balances and, when a deficit occurs and is expected to be temporary (i.e., pending the receipt of a grant, tax settlement, etc), we recommend the Township advance monies from the General Fund until the debtor fund can advance the monies back. In the case of a deficit fund balance for which no return of funds can reasonably be expected, we recommend the Township permanently transfer the monies to cover the deficit.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2011-005

Material Weakness

Bank Reconciliations

The Fiscal Officer did not prepare accurate monthly reconciliations of bank balances to book balances. There were significant numbers of reconciling items that were not identified. The lack of proper reconciliations among the bank statements, cashbook and ledgers resulted in numerous errors which remained undetected and/or uncorrected until the audit. The extensive problems with these reconciliations resulted in the need for the Township to obtain from the Auditor of State's office detailed proofs of cash.

We recommend the Fiscal Officer prepare detailed bank reconciliations that include all bank account balances being reconciled to total fund balances. Copies of bank reconciliations should be presented to the Township Trustees for the Trustee's review and use in managing the Township. The Fiscal Officer should reconcile activity entered in the receipts ledger and appropriations ledger to the cashbook.

Management's Response – We did not receive a response from officials to this finding.

**SUTTON TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	ORC Section 5705.41(D) – Properly appropriating expenditures.	Yes	N/A
2009-002	Posting of Receipts and Expenditures	No	Repeated as Finding 2011-001

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Dave Yost • Auditor of State

SUTTON TOWNSHIP

MEIGS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 18, 2012**