



Dave Yost • Auditor of State

**SUGARCREEK TOWNSHIP
GREENE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2011	4
Notes to the Financial Statements	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Sugarcreek Township
Greene County
2090 Ferry Road
Sugarcreek Township, Ohio 45305

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Sugarcreek Township, Greene County, (the Township) as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Sugarcreek Township, Greene County as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during 2011 the Township has elected to change its financial presentation to the regulatory basis of accounting, which is an accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03. As discussed in Note 2 to the financial statements, during 2011 the Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Also, as discussed in Note 11, the Township restated its General Fund beginning balance for 2011. Our opinion is not modified with respect to these matters.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

December 4, 2013

**SUGARCREEK TOWNSHIP
GREENE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Property and Other Local Taxes	\$180,124	\$4,345,636			\$4,525,760
Charges for Services		191,594			191,594
Licenses, Permits and Fees	71,068	15,893			86,961
Fines and Forfeitures	9,558	20,558			30,116
Intergovernmental	146,026	868,682		\$70,450	1,085,158
Earnings on Investments	3,009	282			3,291
Miscellaneous	148,656	289,960			438,616
Total Cash Receipts	<u>558,441</u>	<u>5,732,605</u>		<u>70,450</u>	<u>6,361,496</u>
Cash Disbursements:					
Current:					
General Government	657,277	46,404			703,681
Public Safety		4,480,892			4,480,892
Public Works		541,461			541,461
Health	31,480				31,480
Other		1,000			1,000
Capital Outlay	433	200,728		70,485	271,646
Debt Service:					
Principal Retirement			\$315,000		315,000
Interest and Fiscal Charges			66,688	11,262	77,950
Total Cash Disbursements	<u>689,190</u>	<u>5,270,485</u>	<u>381,688</u>	<u>81,747</u>	<u>6,423,110</u>
Excess of Receipts Over (Under) Disbursements	<u>(130,749)</u>	<u>462,120</u>	<u>(381,688)</u>	<u>(11,297)</u>	<u>(61,614)</u>
Other Financing Receipts (Disbursements):					
Sale of Bonds		242,507		320,000	562,507
Sale of Capital Assets	7,798				7,798
Transfers In			381,688		381,688
Transfers Out		(381,688)			(381,688)
Other Financing Uses	(615)				(615)
Total Other Financing Receipts (Disbursements)	<u>7,183</u>	<u>(139,181)</u>	<u>381,688</u>	<u>320,000</u>	<u>569,690</u>
Net Change in Fund Cash Balances	(123,566)	322,939		308,703	508,076
Fund Cash Balances, January 1	<u>304,573</u>	<u>2,567,609</u>		<u>35</u>	<u>2,872,217</u>
Fund Cash Balances, December 31:					
Restricted		2,890,548		308,738	3,199,286
Unassigned (Deficit)	181,007				181,007
Fund Cash Balances, December 31	<u>\$181,007</u>	<u>\$2,890,548</u>	<u>\$0</u>	<u>\$308,738</u>	<u>\$3,380,293</u>

The notes to the financial statements are an integral part of this statement.

**SUGARCREEK TOWNSHIP
GREENE COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Property and Other Local Taxes	\$193,309	\$4,498,756			\$4,692,065
Charges for Services		246,676			246,676
Licenses, Permits and Fees	66,825	14,320			81,145
Fines and Forfeitures	12,070	1,163			13,233
Intergovernmental	188,161	1,020,736			1,208,897
Earnings on Investments	1,511	82		\$35	1,628
Miscellaneous	12,243	319,958			332,201
Total Cash Receipts	<u>474,119</u>	<u>6,101,691</u>		<u>35</u>	<u>6,575,845</u>
Cash Disbursements:					
Current:					
General Government	525,242	62,429			587,671
Public Safety		4,554,733			4,554,733
Public Works		688,132			688,132
Health	31,505				31,505
Other		2,500			2,500
Capital Outlay	500	141,389			141,889
Debt Service:					
Principal Retirement			\$305,000		305,000
Interest and Fiscal Charges			80,150		80,150
Total Cash Disbursements	<u>557,247</u>	<u>5,449,183</u>	<u>385,150</u>		<u>6,391,580</u>
Excess of Receipts Over (Under) Disbursements	<u>(83,128)</u>	<u>652,508</u>	<u>(385,150)</u>	<u>35</u>	<u>184,265</u>
Other Financing Receipts (Disbursements):					
Sale of Capital Assets	166,116	1,395			167,511
Transfers In			385,150		385,150
Transfers Out		(385,150)			(385,150)
Other Financing Uses		(3,440)			(3,440)
Total Other Financing Receipts (Disbursements)	<u>166,116</u>	<u>(387,195)</u>	<u>385,150</u>		<u>164,071</u>
Net Change in Fund Cash Balances	82,988	265,313		35	348,336
Fund Cash Balances, January 1 (restated)	<u>221,585</u>	<u>2,302,296</u>			<u>2,523,881</u>
Fund Cash Balances, December 31:					
Restricted		2,394,496		35	2,394,531
Committed		172,286			172,286
Assigned		827			827
Unassigned (Deficit)	304,573				304,573
Fund Cash Balances, December 31	<u>\$304,573</u>	<u>\$2,567,609</u>	<u>\$0</u>	<u>\$35</u>	<u>\$2,872,217</u>

The notes to the financial statements are an integral part of this statement.

**SUGARCREEK TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Sugarcreek Township, Greene County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, park maintenance, police and fire protection, and emergency medical services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. OTARMA provides property and casualty coverage for its members. Note 8 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

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

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

C. Deposits

The Township maintains only demand deposit accounts, which 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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

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

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

**SUGARCREEK TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Police District Fund - This fund receives property tax revenue to provide law enforcement services to the Township.

Fire District Fund - This fund receives property tax revenue to provide fire and rescue services to the Township.

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Funds:

Bond Anticipation Note Fund - This fund is utilized for payment of short term notes for road projects in the Township.

General Bond Retirement Fund - This fund is utilized for long term bond debt for the Township's Public Safety Building.

4. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project funds:

Public Works Commission Fund – This fund is utilized to record receipts and payments related to a grant received from the State of Ohio for the Clio Road Project.

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 or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2012 and 2011 budgetary activity appears in Note 4.

**SUGARCREEK TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance

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

1. Non-spendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

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.

**SUGARCREEK TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

2. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2011, the Township implemented Governmental Accounting Standards Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 did not have an effect on fund balances previously reported.

3. EQUITY IN POOLED DEPOSITS

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

	2012	2011
Demand deposits	\$3,380,293	\$2,872,217

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

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 461,478	\$ 566,239	\$ 104,761
Special Revenue	5,624,729	5,975,112	350,383
Debt Service	388,287	381,688	(6,599)
Capital Projects	1,677,567	390,450	(1,287,117)
Total	\$8,152,061	\$7,313,489	(\$ 838,572)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 709,307	\$ 692,033	\$ 17,274
Special Revenue	6,909,307	5,699,844	1,209,463
Debt Service	388,287	381,688	6,599
Capital Projects	1,677,603	81,747	1,595,856
Total	\$9,684,504	\$6,855,312	\$2,829,192

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 483,558	\$ 640,235	\$156,677
Special Revenue	5,960,993	6,103,086	142,093
Debt Service	387,778	385,150	(2,628)
Capital Projects	105,000	35	(104,965)
Total	\$6,937,329	\$7,128,506	\$191,177

**SUGARCREEK TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 645,549	\$ 527,312	\$118,237
Special Revenue	6,407,924	5,882,171	525,753
Debt Service	387,778	385,150	2,628
Capital Projects	105,000		105,000
Total	\$7,546,251	\$6,794,633	\$751,618

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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. DEBT

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
General Obligation Improvement Bonds	\$1,370,000	3-5%
Certificates of Participation	560,000	4%
Lease Purchase Agreement	28,339	4%
Total	\$1,958,339	

In August of 2005, the Township issued General Purpose Refunding and Improvement Bonds in the amount of \$1,865,000. The bonds were used to retire Bond Anticipation Notes issued in 2004. The bonds mature on December 1, 2025.

In May of 2012, the Township issued Certificates of Participation in the amount of \$560,000. The bonds were used in part to refund the Certificates of Participation issued in 2010 and in part to fund the Clio Road Project. The certificates of participation mature on June 1, 2015.

In April of 2010, the Township entered into a lease purchase agreement for an ambulance in the amount of \$127,967. Payments of \$15,753 are due annually, with a final payment due in April 2014.

**SUGARCREEK TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. DEBT (Continued)

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

Year ending December 31:	General Obligation Bonds	Certificates of Participation	Lease Purchase Agreement
2013	\$ 143,875	\$198,800	\$15,753
2014	140,875	196,500	15,753
2015	142,675	198,900	
2016	149,275		
2017	145,000		
2018-2022	715,700		
2022-2025	441,000		
Total	<u>\$1,878,400</u>	<u>\$594,200</u>	<u>\$31,506</u>

7. RETIREMENT SYSTEMS

The Township's certified Fire Fighters belong to the Ohio Police and Fire Pension Fund (OP&F). Other employees, including Police Officers, belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OP&F participants contributed 10% of their wages. For 2012 and 2011, the Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. For 2011, OPERS Local and Law Enforcement members contributed 10% and 11.61%, respectively, of their gross salaries and the Township contributed an amount equaling 14% and 18.1%, respectively, of participants' gross salaries. For 2012 the employee contribution for OPERS Law Enforcement members was increased to 12.1%, while all other contribution percentages remained the same. The Township has paid all contributions required through December 31, 2012.

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.

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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**SUGARCREEK TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

8. RISK MANAGEMENT (Continued)

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, 2012, OTARMA retained \$350,000 for casualty claims and \$250,000 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, 2012 and 2011 (the latest information available):

	2012	2011
Assets	\$34,771,270	\$35,086,165
Liabilities	(9,355,082)	(9,718,792)
Net Assets	\$25,416,188	\$25,367,373

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.9 and \$8.6 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$21,000.

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.

Contributions to OTARMA	
2012	2011
\$34,780	\$34,469

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.

**SUGARCREEK TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

9. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor, principally the federal government. The grantor 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.

10. SUBSEQUENT EVENTS

In November of 2012, voters passed a 0.08 mill Road and Bridge levy, the proceeds of which will be received beginning in 2013. This levy is outside millage and will generate \$260,000.

11. FUND BALANCE

In previous audit periods, the Township did not record interest receipts for an investment account that was closed during 2010. The previously unrecorded interest income was recorded by the Township during 2011. This resulted in an adjustment to the 2011 beginning fund balance in the General Fund as follows:

December 31, 2010 – General Fund Balance	\$187,365
2011 General Fund Beginning Balance Adjustment	34,220
Adjusted January 1, 2011 General Fund Balance	<u>\$221,585</u>



Dave Yost • Auditor of State

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

Sugarcreek Township
Greene County
2090 Ferry Road
Sugarcreek Township, Ohio 45305

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Sugarcreek Township, Greene County, (the Township) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated December 4, 2013 wherein we noted the Township has elected to change its financial presentation to the regulatory basis of accounting, which is an accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03. Additionally, the Township adopted provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and the Township restated its General Fund beginning balance for 2011.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider 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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2012-001 through 2012-003 described in the accompanying schedule of findings to be material weaknesses.

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, opining 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001.

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

December 4, 2013

**SUGARCREEK TOWNSHIP
GREENE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-001

Noncompliance Citation and Material Weakness

Ohio Rev. Code Section 505.24(C) sets forth the method by which township trustees' compensation should be allocated. This section previously requires that compensation of a township trustee must be paid from the Township General Fund or from such other restricted township funds, in such proportions based on the amount of time spent on matters related to the services rendered. Prior to the enactment of HB 153, trustees were required to document time spent in the general fund and various restricted funds. There was no one method for documenting time and the kinds of services rendered, rather, the documentation could have been timesheets or a similar method of record keeping, as long as the trustees documented all time spent on township business and the type of service(s) performed, in a manner similar to trustees paid per diem compensation. If trustees did not document their time, then no part of salaries could have been paid from these other funds.

Effective September 29, 2011, HB 153 amended Ohio Rev. Code Sections 505.24 and 507.09 to now require certification of the amount of time spent in the general fund and in various restricted funds by the township trustees and fiscal officer. This certification is now the required method of documentation of time spent in these funds. The Auditor of State issued Bulletin 2011-007 on October 27, 2011 explaining these legislative changes and the impact of these changes on townships.

During 2011, the Trustees' salaries were paid from the general, fire, police, and road and bridge funds based only upon a schedule approved by resolution in 2010. However, the Trustees did not document actual time spent on restricted fund activities from January 1, 2011 to September 29, 2011. Further, from September 29, 2011 to December 31, 2011, the Trustees did not certify the amount of time spent on restricted fund activities. By failing to adequately document their time, Trustees could not assure that the proportionate amount paid from the restricted funds (fire, police, and road and bridge) properly reflected the proportion of time spent on restricted activities within the township relative to the total time spent on township business. From the period of January 1, 2011 to December 31, 2011, the Township paid \$3,387 from the road and bridge fund, \$13,553 from the police fund, and \$13,551 from the fire fund for Trustee payroll and related benefits. Without proper documentation indicating otherwise, these salary and benefit payments should have been paid from the General Fund. The Township's financial statements and accounting system have been adjusted to correct these errors.

This noncompliance also occurred during the audit of the Township for the audit period 2009-2010 and the Township was directly informed of this requirement in the management letter dated July 9, 2011. During the current audit period, the Township continued to record Trustee salary payments to the restricted funds (fire, police, road and bridge) without administrative procedures established to account for Trustees' time spent on township business and the types of services performed from these restricted funds from January through December 2011. The Trustees properly followed payroll documentation requirements of the Ohio Revised Code during 2012.

FINDING NUMBER 2012-002

Material Weakness – Debt-Related Financial Statement Errors

The following errors related to recording debt transactions were noted with the financial statements:

- During May 2012, the Township issued \$560,000 of Series 2012 Certificates of Participation debt. This debt was recorded incorrectly as sale of notes instead of sale of bonds. The debt agreement required the Township to deposit \$320,000 of the proceeds to a separate Projects Fund and use the remaining \$240,000 of principal to refund outstanding bonds. Further, the debt agreement specifies that payments are to be made from the separate Projects Fund. However, the debt proceeds were incorrectly posted to the Road and Bridge Fund. Additionally, the first interest payment of \$11,262 was incorrectly made from the Road and Bridge Fund as a public works expenditure, instead of principal payment from the Projects Fund. The financial statements have been adjusted to record the above activity in the Capital Project Fund.
- A \$240,000 transfer was made out of the Road and Bridge Fund to make the principal payment related to the refunded debt noted above. The transaction was correctly recorded as a transfer out of the Road and Bridge Fund; however, there was no related transfer in. This resulted in transfers out exceeding transfers in by \$240,000. There should have been a \$240,000 transfer in recorded for the Debt Service Fund and then the principal payment should have been made from the Debt Service Fund in the amount of \$240,000. The financial statements have been adjusted to correct this error.
- The Township entered into a lease-purchase agreement in a previous year. Payments on this agreement were recorded improperly as capital outlay expenditure in the amount of \$15,753 in 2011 and 2012 rather than debt service payments allocated between principal and interest. These errors have not been adjusted on the Township's financial statements.

The Township should ensure that all financial transactions, including debt activity, are properly recorded. The Township should also have procedures in place to provide that debt activity is recorded in accordance with the applicable debt agreement.

FINDING NUMBER 2012-003

Material Weakness – GASB 54 Misclassifications

Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, introduces five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are non-spendable, restricted, committed, assigned and unassigned.

The Township did not properly classify the following fund balances in accordance with GASB 54:

2011 Financial Statements:

- Capital Projects ending fund balance of \$35 was improperly reported as assigned rather than restricted. The financial statements were adjusted for this error.
- The ending balances of several special revenue funds were misclassified. The financial statements were adjusted for these errors.

FINDING NUMBER 2012-003
(Continued)

- Zoning fund balance of \$5,715 improperly reported as assigned rather than committed.
- The following were improperly reported as assigned rather than restricted:
 - Community Outreach fund balance of \$803
 - 911 Enhancement fund balance of \$16,507
 - Police Trust fund balance of \$175,758
 - Police Contribution fund balance of \$4,760
- Fire and RSC Ambulance EMS Service fund balance of \$166,571 was improperly reported as restricted rather than committed.

2012 Financials

- General fund outstanding encumbrances of \$2,228 at year end were improperly reported as unassigned rather than assigned. The financial statements were not adjusted for this error.
- Ending balances totaling \$150,731 of two special revenue funds (Zoning and Fire and RSC Ambulance EMS Service) were improperly classified as restricted rather than committed. The financial statements were not adjusted for these errors.

The Township should review GASB 54 and Auditor of State Bulletin 2011-04 to determine and present the governmental fund balances in accordance with current guidance.

Officials' Response: We did not receive a response from Officials to the findings reported above.

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Dave Yost • Auditor of State

SUGARCREEK TOWNSHIP

GREENE 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 31, 2013**