



Dave Yost • Auditor of State

**SUTTON TOWNSHIP
MEIGS COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Sutton Township
Meigs County
28180 Apple Grove Dorcas Road
Racine, Ohio 45771

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Sutton Township, Meigs County, Ohio (the Township), as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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 § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2015 and 2014, 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 Sutton Township, Meigs County as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the Township has suffered recurring losses. Note 12 describes management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2016, 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 6, 2016

**SUTTON TOWNSHIP
MEIGS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$28,399	\$91,562	\$0	\$119,961
Charges for Services	0	300	0	300
Donations	0	25,000	0	25,000
Intergovernmental	28,621	115,284	0	143,905
Miscellaneous	1,027	2,694	0	3,721
<i>Total Cash Receipts</i>	<u>58,047</u>	<u>234,840</u>	<u>0</u>	<u>292,887</u>
Cash Disbursements				
Current:				
General Government	72,716	0	0	72,716
Public Safety	0	66,360	0	66,360
Public Works	0	105,094	0	105,094
Health	0	31,119	0	31,119
Other	0	11,074	0	11,074
<i>Total Cash Disbursements</i>	<u>72,716</u>	<u>213,647</u>	<u>0</u>	<u>286,363</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(14,669)</u>	<u>21,193</u>	<u>0</u>	<u>6,524</u>
Other Financing Receipts (Disbursements)				
Transfers In	0	7,766	0	7,766
Transfers Out	0	(7,766)	0	(7,766)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	<u>(14,669)</u>	<u>21,193</u>	<u>0</u>	<u>6,524</u>
<i>Fund Cash Balances, January 1</i>	<u>(49,201)</u>	<u>69,657</u>	<u>4,383</u>	<u>24,839</u>
Fund Cash Balances, December 31				
Nonspendable	0	0	4,383	4,383
Restricted	0	88,083	0	88,083
Committed	0	2,767	0	2,767
Unassigned	(63,870)	0	0	(63,870)
<i>Fund Cash Balances, December 31</i>	<u><u>(\$63,870)</u></u>	<u><u>\$90,850</u></u>	<u><u>\$4,383</u></u>	<u><u>\$31,363</u></u>

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

**SUTTON TOWNSHIP
MEIGS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$23,319	\$85,202	\$0	\$108,521
Charges for Services	0	3,615	0	3,615
Intergovernmental	22,092	111,478	0	133,570
Earnings on Investments	50	19	0	69
Miscellaneous	1,737	0	0	1,737
<i>Total Cash Receipts</i>	<u>47,198</u>	<u>200,314</u>	<u>0</u>	<u>247,512</u>
Cash Disbursements				
Current:				
General Government	37,220	0	0	37,220
Public Safety	0	21,459	0	21,459
Public Works	33,900	115,263	0	149,163
Health	300	24,693	0	24,993
Other	15	0	0	15
Debt Service:				
Principal Retirement	8,500	0	0	8,500
<i>Total Cash Disbursements</i>	<u>79,935</u>	<u>161,415</u>	<u>0</u>	<u>241,350</u>
<i>Net Change in Fund Cash Balances</i>	(32,737)	38,899	0	6,162
<i>Fund Cash Balances, January 1</i>	<u>(16,464)</u>	<u>30,758</u>	<u>4,383</u>	<u>18,677</u>
Fund Cash Balances, December 31				
Nonspendable	0	0	4,383	4,383
Restricted	0	122,457	0	122,457
Committed	0	4,154	0	4,154
Unassigned	(49,201)	(56,954)	0	(106,155)
<i>Fund Cash Balances, December 31</i>	<u>(\$49,201)</u>	<u>\$69,657</u>	<u>\$4,383</u>	<u>\$24,839</u>

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

**SUTTON TOWNSHIP
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

Note 1 - Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Sutton Township, Meigs County, Ohio (the Township), as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance and fire protection services. The Township contracts with the Village of Syracuse, the Village of Racine, and the Village of Bashan to provide fire protection services.

Jointly Governed Organization and Public Entity Risk Pool

The Township participates in a jointly governed organization and a public entity risk pool. Notes 9 and 11 to the financial statements provide additional information for these entities. 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

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all governmental fund types which are organized on a fund type basis.

Fund Accounting

The Township uses funds 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. The funds of the Township are presented below:

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

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

Gasoline Tax Fund This fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Road and Bridge Fund This fund accounts for and reports that portion of property tax money for constructing, maintaining, and repairing Township roads and bridges

Fire Levy Fund This fund receives property tax money for fire protection services for the Township.

Permanent Funds These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant permanent fund:

Cemetery Endowment Fund This fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted for the general maintenance and upkeep of the Township's cemetery.

**SUTTON TOWNSHIP
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 (D) permit.

Budgetary Process

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

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

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

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. The Township did not use the encumbrance method of accounting.

A summary of 2015 and 2014 budgetary activity appears in Note 4.

Deposits

The Township pools all available funds of the Township in an interest-bearing checking account and certificates of deposit. The Township values certificates of deposit at cost.

Capital Assets

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

Fund Balance

Fund balance is divided into four 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:

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

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.

**SUTTON TOWNSHIP
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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.

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.

Note 3 - Compliance

Contrary to Ohio Rev. Code §§ 5705.38(C) and 5705.41(B), because no appropriation measure was adopted, budgetary expenditures exceeded appropriation authority in all funds for the year ended December 31, 2014. For the year ended December 31, 2015, budgetary expenditures exceeded appropriation authority in the General Fund by \$13,716, in the Motor Vehicle License Tax Fund by \$10,239, in the Road and Bridge Fund by \$3,705, in the Fire Levy Fund by \$31,360, in the Cemetery Fund by \$9,619 and the FEMA Fund by \$7,766.

Contrary to Ohio Rev. Code § 5705.39, for the year ended December 31, 2015, appropriations exceeded estimated resources in the General Fund by \$42,901 and in the Gasoline Tax Fund by \$59,887.

Contrary to Ohio Rev. Code § 5705.10(I), at December 31, 2014, the General and Gasoline Tax funds had cash deficits balance of \$49,201 and \$56,954, respectively. At December 31, 2015, the General Fund had a cash deficit balance of \$63,870.

Note 4 - Budgetary Activity

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$52,000	\$58,047	\$6,047
Special Revenue	185,271	242,606	57,335
Total	\$237,271	\$300,653	\$63,382

**SUTTON TOWNSHIP
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

Note 4 - Budgetary Activity (Continued)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$59,000	\$72,716	(\$13,716)
Special Revenue	181,000	221,413	(40,413)
Total	\$240,000	\$294,129	(\$54,129)

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$52,985	\$47,198	(\$5,787)
Special Revenue	197,468	200,314	2,846
Permanent	75	0	(75)
Total	\$250,528	\$247,512	(\$3,016)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$79,935	(\$79,935)
Special Revenue	0	161,415	(161,415)
Total	\$0	\$241,350	(\$241,350)

Note 5 - 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:

	2015	2014
Demand deposits	\$23,136	\$16,641
Certificates of deposit	8,227	8,198
Total deposits	\$31,363	\$24,839

Deposits Deposits are insured by the Federal Depository Insurance Corporation.

Note 6 - Property Taxes

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.

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

**SUTTON TOWNSHIP
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Township contributed an amount equaling 14%, of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

Social Security

The Township's Fiscal Officer contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participant's gross salary. The Township has paid all contributions required through December 31, 2015.

Note 8 - Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 9 - 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.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2015, 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.

**SUTTON TOWNSHIP
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

Note 9 - Risk Management (Continued)

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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Assets	\$37,313,311	\$35,970,263
Liabilities	8,418,518	8,912,432
Net Position	\$28,894,793	\$27,057,831

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

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.

<u>Contributions to OTARMA</u>	
<u>2015</u>	<u>2014</u>
\$6,296	\$5,985

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.

Note 10 - Debt

Debt outstanding at December 31, 2015 was as follows:

Home National Bank Note	<u>Principal</u>	<u>Interest Rate</u>
	<u>\$4,369</u>	4.5%

The Home National Bank Note was issued in 2011, in the amount of \$43,410. Of the \$43,410 in debt proceeds, \$28,000 was used to purchase a 2005 GMC Dump Truck and \$15,410 was used to pay off an outstanding 2003 Chevy Dump Truck note. The Township makes an annual payment on the note of \$8,500. The note is collateralized by the dump truck purchased.

**SUTTON TOWNSHIP
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

Note 10 – Debt (Continued)

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

<u>Year ending December 31:</u>	<u>Home National Bank Note</u>
2016	<u><u>\$4,439</u></u>

Note 11 - 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.

Note 12 – Deficit Fund Balance

At December 31, 2015, the Township had a deficit fund cash balance totaling \$63,870 in the General Fund. The Township's management has attempted to reduce the negative fund balances through limiting expenditures.

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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

Sutton Township
Meigs County
28180 Apple Grove Dorcas Road
Racine, Ohio 45771

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 the cash balances, receipts, and disbursements by fund type of Sutton Township, Meigs County, Ohio (the Township), as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated December 6, 2016, wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit and the Township has suffered recurring losses.

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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider Findings 2015-006 through 2015-009 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2015-001 through 2015-010.

Township's Response to Findings

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.

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.



Dave Yost
Auditor of State
Columbus, Ohio

December 6, 2016

**SUTTON TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2015-001

Noncompliance

Ohio Rev. Code § 505.262(A) authorizes a board of township trustees to issue notes of the township to finance installment payment purchases of equipment, buildings, and sites for any lawful township purpose. All notes issues shall be pursuant to Revised Code § 133.20. However, as held in 1996 Op. Att’y Gen.No.1996-048, Ohio Rev. Code § 505.262(A) does not grant explicitly or implicitly the authority of the township to grant a security interest in the property purchased by the installment contract.

The Township’s debt outstanding at December 31, 2015 consisted of an installment loan with Home National Bank secured by the acquired Dump Truck. This type of debt is not authorized under Ohio Revised Code; however, this is a debt instrument that is carried forward from a prior period.

The Township should obtain debt funding only through authorized instruments.

Official’s Response: The Trustees and Fiscal Officer are aware of this law governing townships and will correct for all future indebtedness.

FINDING NUMBER 2015-002

Noncompliance

Ohio Rev. Code § 5705.10(I) provides 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 a negative fund balance of \$63,870 at December 31, 2015 and negative fund cash balances of \$49,201 and \$56,954 in the General and Gasoline Tax funds, respectively.

This was caused by a lack of proper management oversight. Negative balances can indicate financial stresses on an entity.

The Board of Trustees and Fiscal Officer should approve reasonable budgets and monitor expenditures and fund balances monthly to prevent negative fund balances

Official’s Response: The Uniform Account Network (UAN) provides the tools needed to correct this exception and the township is currently converted to this system and has entered data through October 31, 2016.

FINDING NUMBER 2015-003

Noncompliance

Ohio Rev. Code § 5705.38 provides that, on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

**SUTTON TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

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

FINDING NUMBER 2015-003 (Continued)

Noncompliance - Ohio Rev. Code § 5705.38 (Continued)

Ohio Rev. Code § 5705.38(C) provides that the following minimum level of budgetary control for “subdivisions” other than schools: “Appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services.”

Further, Ohio Rev. Code § 5705.41(B) provides that no subdivision or taxing unit is to expend money unless it has been appropriated.

The Board of Trustees failed to pass an appropriation resolution for 2014 due to a lack of effective management. As a result, all expenditures in 2014 were made absent of the legal appropriation authority. The Board of Trustees also failed to approve the 2015 appropriations until April 6, 2015 which was not timely. Further, the Board of Trustees approved appropriations for 2015 at the fund level. As a result, the Board lost some degree of control since they were unable to effectively monitor budget versus actual activity throughout the year. Further, expenditures exceeded appropriation authority as of December 31, 2015 as follows:

Fund	Appropriations	Budgetary Expenditures	Variance
General Fund	\$59,000	\$72,716	(13,716)
Motor Vehicle License Tax	11,000	21,239	(10,239)
Road and Bridge	18,000	21,705	(3,705)
Fire Levy	35,000	66,360	(31,360)
Cemetery	30,000	39,316	(9,316)
FEMA	0	7,766	(7,766)

Failure to timely approve appropriations at the required level can lead to questions as to legality of expenditures and can cause disputes over expenditures made.

The Board of Trustees should adopt an appropriation measure prior to expending or obligating funds at a required legal level of control. If the Board wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, they may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

Official’s Response: This will be corrected for 2016 and beyond by using UAN.

FINDING NUMBER 2015-004

Noncompliance

Ohio Rev. Code § 5705.39 provides, in part, that total appropriations from each fund shall not exceed the total estimated resources.

At December 31, 2015 appropriations exceeded estimated resources in the General Fund by \$42,901 and in the Gasoline Tax Fund by \$59,887.

**SUTTON TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2015-004 (Continued)

Noncompliance - Ohio Rev. Code § 5705.39 (Continued)

Negative 2014 fund balances for carryover sharply reduced the available resources in 2015 providing the primary source for the overage. Failure to limit appropriations by estimated resources can lead to additional or worsening negative fund balances.

The Fiscal Officer and Board of Trustees should review estimated resources and appropriations to ensure that appropriations are within estimated resources.

Official's Response: UAN provides the tools needed to correct this exception and the township is currently converted to this system and has entered data through October 31, 2016.

FINDING NUMBER 2015-005

Noncompliance

Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The Fiscal Officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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 §§ 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 Officer may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by the Board adopted by a majority of the members of the Board 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 particular line item appropriation.

**SUTTON TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2015-005 (Continued)

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

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.

The Fiscal Officer did not certify expenditures during 2014 and there was no evidence that the Township followed the aforementioned exceptions.

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

The Fiscal Officer should certify purchases to which § 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language § 5705.41(D) requires authorizing disbursements. Further, the Board should establish a maximum amount for blanket certificates through ordinance or resolution.

Official's Response: Converting the records to UAN should help correct this exception for 2016 and beyond.

FINDING NUMBER 2015-006

Noncompliance and Material Weakness

Ohio Admin. Code §§ 117-2-01(D)(3) and (5) provide that, when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The Fiscal Officer did not reconcile the bank statements to the cash journal monthly. This Fiscal Officer performed no reconciliations during 2014 due to a lack of up-to-date manual accounting ledgers. The Fiscal Officer performed the bank reconciliation for all months in 2014 and 2015 during 2015. However, these reconciliations included unidentified differences due to the inability of the Fiscal Officer to identify the errors. Failure to perform regular monthly bank-to-book reconciliations resulted in inaccurate financial records and carrying fund balances.

The Fiscal Officer should prepare monthly bank reconciliations in a timely manner so that reconciling items can be easily identified and corrections, if necessary, can be made in a timely manner. These reconciliations should be reviewed and approved by the Board of Trustees at monthly meetings.

Official's Response: The Trustees and Fiscal Officer will use UAN for reports for 2016 and beyond.

**SUTTON TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2015-007

Noncompliance and Material Weakness

Ohio Admin. Code § 117-2-01(D)(4) provides that, when designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls. The size of the Township's staff did not allow for an adequate segregation of duties; the Fiscal Officer performed all accounting functions, including receipting, depositing, disbursing, and reconciling. It is, therefore, important that the Board of Trustees monitor financial activity closely.

During 2015 and 2014, Board of Trustees' review of financial reports and information was severely limited. The Fiscal Officer prepared a list of expenditures monthly. The Fiscal Officer only maintained support of Board approval for these reports for 67 percent of the months under audit. Further, no documentation supports the Board of Trustees' review of receipt reports, bank reconciliations, or any budget to actual information for any month under audit. This was primarily due to a lack of proper record keeping during the audit period limiting the financial information available for review. However, this resulted in no processes existing to identify unusual fluctuations in activity between accounts or between fiscal years.

The Fiscal Officer should maintain records of budget and actual information in a format easily reviewable by the Township Board of Trustees. The Board of Trustees should review detailed financial reports, budget versus actual information, and bank reconciliations on a monthly basis. This review should be documented in the minute record and/or initialed and dated to evidence review. The Board of Trustees should make appropriate inquiries to help determine the continued integrity of financial information. Appropriate inquiries would include:

- Are current receipts sufficient to cover expenditures?
- Are receipts and expenditures in line with prior years?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood?
- Are anticipated receipts being received in a timely manner?

The information obtained as a result of such reviews and inquiries will provide important data necessary to properly manage the Township.

Official's Response: The Trustees and Fiscal Officer will use UAN for reports for 2016 and beyond.

FINDING NUMBER 2015-008

Noncompliance and Material Weakness

Ohio Admin. Code § 117-2-02(A) provides that 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 not retain the following underlying support for the 2014 financial transactions:

- Employee time sheets covering all of 2014.
- State income tax withholding remittances for 2nd quarter 2014.

**SUTTON TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2015-008 (Continued)

Noncompliance and Material Weakness - Ohio Admin. Code § 117-2-02(A) (Continued)

- Support for a projected \$6,423 in disbursements during 2014 across all funds due to failing health of the Fiscal Officer preventing proper performance of duties. Alternate procedures provided some assurances regarding these expenditures. However, failure to support these amounts prevented determination of proper public purpose or proper posting.

In addition, the former Fiscal Officer did not post accounting information to the manual cash journal in 2014, nor did he record receipt numbers or dates for receipts in 2014. The current fiscal officer attempted to compile the accounting information relating to 2014 in an excel spreadsheet in February 2015. However, due to the misposting and omissions the accounting journals had incorrect balances making accurate bank reconciliations impossible. This failure to post to the manual accounting system and keep proper documentation resulted from the declining health of the prior Fiscal Officer.

Failure to timely post transactions to the manual cash journal, perform reconciliations identifying all reconciling factors, maintain adequate supporting documentation, and make posting corrections when identified resulted in inaccurate financial information and severely limited monitoring activities by the Board.

The Fiscal Officer should maintain and timely post transactions to the manual cash journal. The Fiscal Officer should review the requirements of Ohio Rev. Code § 733.28, Ohio Admin. Code § 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.ohioauditor.gov.

Officials' Response: Converting the records to UAN should help correct this exception for 2016 and beyond. Conversion is complete through October 31, 2016.

FINDING NUMBER 2015-009

Noncompliance and Material Weakness

Ohio Admin Code § 117-2-02(A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Fiscal Officer posted certain revenue and expenditures transactions incorrectly resulting in material audit adjustments.

For the year ended December 31, 2015, the following items were noted:

General Fund:

- The Fiscal Officer failed to record property taxes at gross, misclassified receipts, and misposted receipts to the wrong fund. This resulted in an increase in intergovernmental receipts of \$28,621, a decrease in property tax receipts of \$28,656, an increase in general government expenditures of \$992 and an increase in miscellaneous receipts of \$1,027.
- The Fiscal Officer completed the annual HINKLE filing with amounts that did not agree to underlying manual records resulting in a decrease in general government of \$82,056.

**SUTTON TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2015-009 (Continued)

Noncompliance and Material Weakness - Ohio Admin Code § 117-2-02(A) (Continued)

Special Revenue Funds:

- The Fiscal Officer failed to record property tax receipts at gross, misclassified receipts, and misposted receipts to the wrong fund. This resulted in the following:
 - Cemetery Fund: a decrease in property tax receipts of \$4,486, an increase in charges for services of \$300, an increase in intergovernmental receipts of \$5,317 and an increase in health expenditures of \$1,131.
 - Motor Vehicle License Tax Fund: an increase in intergovernmental receipts and a decrease in property tax receipt of \$12,140.
 - Fire Levy Fund: a decrease in property tax of \$1,400, an increase in intergovernmental receipts of \$2,816, and an increase in public safety expenditures of \$1,416.
 - Road and Bridge Fund: a decrease in property tax receipt of \$2,068, an increase in miscellaneous receipts of \$120, an increase in intergovernmental receipts of \$2,560, and an increase in public works expenditures of \$612.
 - Gasoline Tax Fund: a decrease in property tax receipts of \$100,628, an increase in transfers in of \$7,766, an increase in intergovernmental receipts of \$92,451, and an increase in miscellaneous receipts of \$411.
- The Fiscal Officer misposted a payment from AEP and a payment relating to the purchase of a truck resulting in an increase in donations of \$25,000, an increase in miscellaneous receipts of \$2,163 and a decrease in special assessments of \$27,163 in the Gasoline Tax Fund.
- The Fiscal Officer completed the annual HINKLE filing with amounts that did not agree to underlying manual records resulting in an increase in property tax receipts of \$77,596, a decrease in special assessments of \$41,522, an increase in other expenses of \$114,822, an increase in fund cash balances, January 1 of \$100,601, and increase in restricted balance of \$273 and a decrease in committed balance of \$273.
- The Fiscal Officer posted all expenditures as other expenditures resulting in the following:
 - Motor Vehicle License Tax Fund: decrease in other expenditures and increase in public works expenditures of \$21,239.
 - Road and Bridge Fund: decrease in other expenditures and increase in public works of \$21,093.
 - Cemetery Fund: decrease in other expenditures and increase in health expenditures of \$29,988.
 - Gasoline Tax Fund: decrease in other expenditures and increase in public works expenditures of \$62,150.
- The Fiscal Officer misposted a transfer from the FEMA Fund as other expenditures resulting in a decrease in the Gasoline Tax Fund other expenditures and an increase in transfers out in the Gasoline Tax Fund of \$7,766.

Capital Project Fund:

- The Fiscal Officer presented a Capital Project Fund in the Township's HINKLE filing despite no Capital Project Fund held by the Township resulting in adjustments to eliminate the activity including a decrease in fund cash balances, January 1 of \$7,766, a decrease in charges for services of \$25,000, a decrease in special assessments of \$7,666, a decrease in public safety expenditures of \$25,000, and a decrease in public works expenditures of \$7,666.

**SUTTON TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2015-009 (Continued)

Noncompliance and Material Weakness - Ohio Admin Code § 117-2-02(A) (Continued)

Debt Service Fund:

- The Fiscal Officer presented a Debt Service Fund in the Township's HINKLE filing despite no Debt Service Fund held by the Township resulting in adjustments to eliminate the activity including a decrease in Principal of \$10,445, a decrease in Interest of \$629, and a decrease in Special Assessments of \$11,074.

Permanent Fund:

- The Fiscal Officer completed the annual HINKLE filing with amounts that did not agree to underlying manual records resulting in a decrease in Special Assessment of \$4,383.

For the year ended December 31, 2014, the following items were noted:

General Fund:

- The Fiscal Officer was unable to identify a variance in the bank reconciliation for 2014. As such, a "plug" was posted to reconcile. Proper identification of the components of this "plug" resulted in a decrease in general government expenditures and an increase in fund cash balance at December 31 by \$576 as it included an outstanding check from the prior year re-posted.
- The Fiscal Officer failed to record property tax receipts at gross, misposted receipts (including homestead and rollback) as intergovernmental receipts instead of property tax receipts, and misposted receipts to the wrong fund. This resulted in an increase in intergovernmental receipts of \$4,234, a decrease in property tax receipts of \$17,214 and an increase in general government expenditures of \$896.

Special Revenue Funds:

- The Fiscal Officer was unable to identify a variance in the bank reconciliation for 2014. As such, a "plug" was posted to reconcile. Proper identification of the components of this "plug" resulted in a decrease in Gasoline Tax Fund other expenditures of \$7,526.
- The Fiscal Officer failed to record property tax receipts at gross, misposted receipts (including homestead and rollback) as intergovernmental receipts instead of property tax receipts, and misposted receipts to the wrong fund. This resulted in the following:
 - Fire Levy: an increase in property tax receipts of \$1,415, and increase in intergovernmental receipts of \$6,209 and an increase in public safety expenditures of \$1,459.
 - Road and Bridge Fund: an increase in property tax expenditures of \$642, and increase in intergovernmental receipts of \$2,511 and an increase in public works expenditures of \$659.
 - Cemetery Fund: an increase in property tax receipts of \$1,216, and increase in charges for services of \$3,615, an increase in intergovernmental receipts of \$1,638 and an increase in health expenditures of \$1,253.
- The Fiscal Officer posted expenditures in the Cemetery fund to unreasonable expenditure codes resulting in an increase in health expenditures of \$23,440, a decrease in public works expenditures of \$30 and a decrease in public safety expenditures of \$23,410.
- The Fiscal Officer failed to properly classify fund balances in accordance with GASB 54 as documented in Auditor of State Bulletin 2011-004 resulting in the following:
 - Motor Vehicle License Tax Fund: an increase in restricted fund balance and a decrease in unassigned fund balance of \$10,384.
 - Road and Bridge Fund: an increase in committed fund balance and a decrease in unassigned fund balance of \$4,154.

**SUTTON TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2015-009 (Continued)

Noncompliance and Material Weakness - Ohio Admin Code § 117-2-02(A) (Continued)

- Cemetery Fund: an increase in restricted fund balance and a decrease in unassigned fund balance of \$37,227.
- Fire Levy Fund: an increase in restricted fund balance and a decrease in unassigned fund balance of \$67,080.
- FEMA Fund: an increase in restricted fund balance and a decrease in unassigned fund balance of \$7,766.

Permanent Fund:

- The Fiscal Officer failed to properly classify fund balances in accordance with GASB 54 as documented in Auditor of State Bulletin 2011-004 resulting in an increase in nonspendable and decrease in unassigned of \$4,383.

These misstatements were caused by confusion over proper classifications and a lack of management oversight. As a result, significant adjustments and reclassifications, with which the Township's management agrees, were made to the financial statements and ledgers, and are reflected in the accompanying financial statements.

The Fiscal Officer should refer to the Ohio Township Handbook for proper classification and take additional care in posting transactions to the Township's ledgers in order to ensure the financial statements reflect the appropriate sources of the receipts and expenditures.

Official's Response: The Hinkle filing, for 2016 and beyond, will be done through the UAN software. This should alleviate some of the problems noted in this exception.

FINDING NUMBER 2015-010

Noncompliance

Ohio Rev. Code § 117.38 provides that entities filing on a cash-basis file annual reports with the Auditor of State within 60 days of the fiscal year-end. Any public office not filing the report by the required date shall pay a penalty of \$25 for each day the report remains unfiled, not to exceed \$750. The Auditor of State may waive these penalties, upon the filing of the past due financial report.

The Fiscal Officer did not file the December 31, 2015 financial statements in HINKLE until July 12, 2016 and the December 31, 2014 financial statements were not filed at all, which can result in penalties. This was an oversight by management.

The Fiscal Officer should consult Auditor of State Audit Bulletin 2015-007 for the requirements and guidance for filing complete financial statements, including footnotes, in the HINKLE system.

Official's Response: For 2014, the accounts were not balanced and totals were difficult to achieve; therefore, the filing did not take place. For 2015, the Fiscal Officer was not aware of the Hinkle Filing until attending the Local Government Conference during 2016. The Fiscal Officer will contact the Auditor of State's Office to try and correct this matter.

**SUTTON TOWNSHIP
MEIGS COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Noncompliance with Ohio Rev. Code §505.262(A)	No	Not corrected. Repeated as Finding Number 2015-001.
2013-002	A material weakness/noncompliance with Ohio Rev. Code § 733.28 ledgers not agreeing to the cash journal and not incorporating budgetary amounts in the ledgers.	No	Not corrected. Repeated as part of Finding Number 2015-008.
2013-003	Noncompliance with Ohio Rev. Code § 5705.10(I) for negative fund cash balances.	No	Not corrected. Repeated as Finding Number 2015-002.
2013-004	Noncompliance with Ohio Rev. Code § 5705.36 for not certifying estimated resources	Yes	N/A
2013-005	Noncompliance with Ohio Rev. Code § 5705.38 for not adopting appropriations.	No	Not corrected. Repeated as Finding Number 2015-003.
2013-006	Noncompliance with Ohio Rev. Code § 5705.39 for appropriations exceeding estimated resources	No	Not corrected. Repeated as Finding Number 2015-004.
2013-007	Noncompliance with Ohio Rev. Code § 5705.41(B) for not adopting appropriations.	No	Not corrected. Included with Finding Number 2015-003.
2013-008	Noncompliance with Ohio Rev. Code § 5705.41(D) (1) for not encumbering purchase obligations.	No	Not corrected. Repeated as Finding Number 2015-005.
2013-009	Material Weakness and Noncompliance with Ohio Admin. Code §§ 117-2-01(D)(1)(3) and (5) for failure to prepare accurate bank reconciliations.	No	Not corrected. Repeated as Finding Number 2015-008.
2013-010	Material Weakness and Noncompliance with Ohio Admin. Code § 117-2-01(D)(4) for failure to adequately monitor financial information.	No	Not corrected. Repeated as Finding Number 2015-007.
2013-011	Material Weakness and Noncompliance with Ohio Admin. Code § 117-2-02(A) for material mispostings requiring financial statement adjustment.	No	Not corrected. Repeated as Finding Number 2015-009.
2013-012	Material Weakness and Noncompliance with Ohio Admin. Code § 117-2-02(A) for lack of support.	No	Not corrected. Included with Finding Number 2015-008.



Dave Yost • Auditor of State

SUTTON TOWNSHIP

MEGS 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 20, 2016**