



Dave Yost • Auditor of State



**SUTTON TOWNSHIP  
MEIGS COUNTY  
DECEMBER 31, 2017 AND 2016**

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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, 2017 and 2016.

### ***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 such 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 2 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.

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, 2017 and 2016, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of Sutton Township, Meigs County, Ohio, as of December 31, 2017 and 2016, 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 2.

***Emphasis of Matter***

As discussed in Note 12 to the financial statements, the Township had General Fund deficit cash balances at December 31, 2017 and 2016, which indicates the Township was having financial difficulty. 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 October 31, 2018, 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

October 31, 2018

**Sutton Township**

Meigs County, Ohio

Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)  
All Governmental Fund Types

For the Year Ended December 31, 2017

	General	Special Revenue	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$32,724	\$113,248	\$0	\$145,972
Intergovernmental	24,925	115,231	0	140,156
Earnings on Investments	177	1,091	0	1,268
Miscellaneous	3,099	800	0	3,899
<i>Total Cash Receipts</i>	<u>60,925</u>	<u>230,370</u>	<u>0</u>	<u>291,295</u>
<b>Cash Disbursements</b>				
Current:				
General Government	26,937	1,543	0	28,480
Public Safety	0	78,921	0	78,921
Public Works	300	100,248	0	100,548
Health	0	23,646	0	23,646
Human Services		10,738		10,738
Capital Outlay	5,306	18,573	0	23,879
Debt Service:				
Principal Retirement	985	12,435	0	13,420
Interest and Fiscal Charges	171	571	0	742
<i>Total Cash Disbursements</i>	<u>33,699</u>	<u>246,675</u>	<u>0</u>	<u>280,374</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>27,226</u>	<u>(16,305)</u>	<u>0</u>	<u>10,921</u>
<b>Other Financing Receipts</b>				
Other Debt Proceeds	5,306	26,435	0	31,741
Sale of Capital Assets	2,600	0	0	2,600
<i>Total Other Financing Receipts</i>	<u>7,906</u>	<u>26,435</u>	<u>0</u>	<u>34,341</u>
Special Item	0	845	0	845
<i>Net Change in Fund Cash Balances</i>	35,132	10,975	0	46,107
<i>Fund Cash Balances, January 1</i>	<u>(62,007)</u>	<u>125,658</u>	<u>4,383</u>	<u>68,034</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	0	0	4,383	4,383
Restricted	0	136,633	0	136,633
Committed	0	0	0	0
Assigned	0	0	0	0
Unassigned (Deficit)	<u>(26,875)</u>	<u>0</u>	<u>0</u>	<u>(26,875)</u>
<i>Fund Cash Balances, December 31</i>	<u>(\$26,875)</u>	<u>\$136,633</u>	<u>\$4,383</u>	<u>\$114,141</u>

See accompanying notes to the basic financial statements

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**Sutton Township**  
*Meigs County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Sutton Township, Meigs 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, 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 7 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 (regulatory 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.

***Fire Levy Fund*** The 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:

**Sutton Township**  
*Meigs County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
*(Continued)*

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Fund Accounting (Continued)***

***Permanent Funds (Continued)***

***Cemetery Endowment Fund*** The cemetery endowment 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.

***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. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2017 budgetary activity appears in Note 4.

***Deposits***

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

**Sutton Township**  
*Meigs County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
*(Continued)*

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

***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.

***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.

***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:

***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.

***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.

***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.

***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.

**Sutton Township**  
*Meigs County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
*(Continued)*

**Note 3 – Compliance**

Contrary to Ohio law, the Township’s General Fund had a deficit fund balances of \$26,875 at December 31, 2017. Also contrary to Ohio law, budgetary expenditures exceeded appropriations in the Gasoline Tax Fund by \$9,618 for the year ended December 31, 2017.

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$69,633	\$68,831	(\$802)
Special Revenue	197,183	257,650	60,467
Permanent	0	0	0
Total	\$266,816	\$326,481	\$59,665

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$54,219	\$33,699	\$20,520
Special Revenue	256,744	246,675	10,069
Permanent	0	0	0
Total	\$310,963	\$280,374	\$30,589

**Note 5 – Deposits**

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

	2017
Demand deposits	\$114,141

Deposits are insured by the Federal Deposit 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*  
*For the Year Ended December 31, 2017*  
*(Continued)*

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**Note 7 – 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, 2017, 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, 2017.

	<b>2017</b>
Assets	\$40,010,732
Liabilities	8,675,465
Net Position	\$31,335,267

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment.

As of December 31, 2017, the Township’s share of these unpaid claims collectible in future years is approximately \$3,000.

**Sutton Township**  
*Meigs County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
*(Continued)*

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**Note 7 – Risk Management (Continued)**

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

<b><u>2017 Contributions to OTARMA</u></b> \$6,300
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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 8 – 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 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

***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 participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

**Note 9 – Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which include 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

**Sutton Township**  
*Meigs County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
*(Continued)*

**Note 10 – Debt**

Debt outstanding at December 31, 2017, was as follows:

	Principal	Interest Rate
Grader Promissory Note - Farmers Bank	\$27,299	3.250%

The Township obtained a promissory note through Farmers Bank and Savings Company on March 9, 2017 in the amount of \$31,741 to purchase a grader in the amount of \$23,500 and to pay off an existing loan at Home National Bank in the amount of \$7,862. This loan will be repaid in monthly installments of \$574.39 for a term of five years with a fixed interest rate of 3.250% per annum. The grader collateralized the loan.

***Amortization***

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

Year Ending December 31:	Grader Promissory Note
2018	\$6,893
2019	6,893
2020	6,893
2021	6,893
2022	1,722
Total	\$29,294

**Note 11 – Jointly Governed Organizations**

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, 2017, the Township had a deficit fund cash balance totaling \$26,875 in the General Fund. The Township’s management is working to reduce the negative fund balances through limiting expenditures.

**Note 13 – Subsequent Event**

On November 7, 2017, Sutton Township voters voted in favor of a .40 mill current expense operating levy. This increase in revenue will begin in 2018.

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**Sutton Township**

Meigs County, Ohio

Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2016

	General	Special Revenue	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$25,457	\$99,601	\$0	\$125,058
Intergovernmental	26,566	96,670	0	123,236
Earnings on Investments	36	56	0	92
Miscellaneous	5,720	200	0	5,920
<i>Total Cash Receipts</i>	<u>57,779</u>	<u>196,527</u>	<u>0</u>	<u>254,306</u>
<b>Cash Disbursements</b>				
Current:				
General Government	52,176	0	0	52,176
Public Safety	0	53,224	0	53,224
Public Works	531	74,193	0	74,724
Health	0	31,892	0	31,892
Capital Outlay	4,919	4,919	0	9,838
Debt Service:				
Principal Retirement	6,595	2,345	0	8,940
Interest and Fiscal Charges	253	65	0	318
<i>Total Cash Disbursements</i>	<u>64,474</u>	<u>166,638</u>	<u>0</u>	<u>231,112</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(6,695)</u>	<u>29,889</u>	<u>0</u>	<u>23,194</u>
<b>Other Financing Receipts</b>				
Other Debt Proceeds	8,558	4,919		13,477
<i>Total Other Financing Receipts</i>	<u>8,558</u>	<u>4,919</u>	<u>0</u>	<u>13,477</u>
<i>Net Change in Fund Cash Balances</i>	1,863	34,808	0	36,671
<i>Fund Cash Balances, January 1</i>	<u>(63,870)</u>	<u>90,850</u>	<u>4,383</u>	<u>31,363</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	0	0	4,383	4,383
Restricted	0	125,658	0	125,658
Assigned	0	0	0	0
Unassigned (Deficit)	(62,007)	0	0	(62,007)
<i>Fund Cash Balances, December 31</i>	<u>(\$62,007)</u>	<u>\$125,658</u>	<u>\$4,383</u>	<u>\$68,034</u>

See accompanying notes to the basic financial statements

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**Sutton Township**  
*Meigs County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Sutton Township, Meigs 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, cemetery maintenance, and fire protection. 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 7 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 (regulatory 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:

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***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.

***Cemetery Fund*** This fund receives property tax money for the maintenance and upkeep of the Township cemeteries.

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

**Sutton Township**  
*Meigs County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Fund Accounting (Continued)***

***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*** The cemetery endowment 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.

***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. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2016 budgetary activity appears in Note 4.

**Sutton Township**  
*Meigs County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

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***Deposits***

The Township pools all available funds of the Township in an interest-bearing checking account. The Township values certificate of deposits 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.

***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.

***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:

***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.

***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.

***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.

***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.

**Sutton Township**  
*Meigs County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

**Note 3 - Compliance**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund, Cemetery Fund, and Fire Fund by \$25,556, \$4,907, and \$4,024, respectively, for the year ended December 31, 2016. Also contrary to Ohio law, at December 31, 2016, the General Fund had a cash deficit balance of \$62,007.

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$38,918	\$66,337	\$27,419
Special Revenue	188,491	201,446	12,955
Permanent	0	0	0
Total	\$227,409	\$267,783	\$40,374

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$38,918	\$64,474	(\$25,556)
Special Revenue	194,659	166,638	28,021
Permanent	4,383	0	4,383
Total	\$237,960	\$231,112	\$6,848

**Note 5 – Deposits**

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

Demand deposits	2016 \$59,934
Certificates of deposit	8,100
Total deposits	68,034

**Deposits**

Deposits are insured by the Federal Deposit 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.

**Sutton Township**  
*Meigs County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

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**Note 6 – Property Taxes (Continued)**

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.

**Note 7 - 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, 2016, 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, 2016.

	<b>2016</b>
Assets	\$38,473,283
Liabilities	8,244,140
Net Position	\$30,229,143

**Sutton Township**  
*Meigs County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

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**Note 7 - Risk Management (Continued)**

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, 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.

<b><u>2016 Contributions to</u></b> <b><u>OTARMA</u></b> \$5,841
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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 8 - 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, 2016.

***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 participants' gross salaries. The Township has paid all contributions required through December 31, 2016.



**Sutton Township**  
*Meigs County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

**Note 9 – 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. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**Note 10 – Debt**

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Tractor/Mower Promissory Note	\$8,973	4.50%

The Township issued a promissory note to finance the purchase of a tractor/mower and to pay off the existing dump truck loan in the amount of \$13,477. The tractor/mower collateralized the loan.

***Amortization***

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

	Tractor/Mower Promissory Note
Year ending December 31:	
2017	\$4,819
2018	4,819
Total	\$9,638

**Note 11 - Jointly Governed Organizations**

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, 2016, the Township had a deficit fund cash balance of \$62,007 in the General Fund. The Township’s management is working 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, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated October 31, 2018, 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 deficit General Fund cash balances.

### ***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 Entity'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 2017-005 and 2017-006 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 2017-001 through 2017-004.

***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 subject the Township's responses to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

October 31, 2018

**SUTTON TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2017-001**

**Noncompliance**

Ohio Rev. Code Chapter 133 authorizes certain methods by which subdivisions may incur debt.

Ohio Rev. Code § 133.22 provides a taxing authority of a subdivision may issue anticipatory-securities if it meets the requirements outlined in the statute.

Ohio Rev. Code § 133.10 permits a taxing authority of a subdivision to issue anticipation securities in anticipation of current property tax revenues or in anticipation of current revenues in and for any fiscal year from any source or combination of sources, including distributions of any federal or state monies, other than the proceeds of property taxes levied by the subdivision.

Under Ohio Rev. Code § 133.15, the taxing authority of a subdivision is authorized to issue securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct.

Under Ohio Rev. Code § 133.18, the taxing authority of a subdivision, may by legislation submit to the electors of the subdivision the question of issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

During 2016, the Township issued a promissory note through Home National Bank for a tractor/mower and to pay off an existing loan for a dump truck in the amount of \$13,477. The Township made principal payments on outstanding promissory notes in the amount of \$8,872.

Further, in 2017 the Township obtained a promissory note in the amount of \$31,741 through Farmers Bank for the purchase of a tractor and to pay off the existing loan of the tractor/mower held at Home National Bank. The Township made principal payments on outstanding promissory notes in the amount of \$13,415.

This type of debt is not authorized in Ohio Rev. Code Chapter 133. Without a statutory provision authorizing this method for incurring debt, the Township was not permitted to use such a method. The Township had no statutory authority to incur debt through either installment loans or promissory notes with any banking institutions.

The Township should consult with legal counsel before incurring debt to determine if the debt is authorized by statute.

**Officials' Response:** All future purchases through funding by banks will be supported by approval of legal counsel.

**FINDING NUMBER 2017-002**

**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 negative fund balances in the General Fund at December 31, 2017 and 2016 of \$26,875 and \$62,007, respectively.

**SUTTON TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

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

**FINDING NUMBER 2017-002 (Continued)**

**Noncompliance - Ohio Rev. Code § 5705.10(I) (Continued)**

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.

**Officials' Response:** These corrections should be corrected through conversion to UAN – both accounting and payroll.

**FINDING NUMBER 2017-003**

**Noncompliance**

Ohio Rev. Code § 5705.41(B) prohibits subdivisions or taxing authorities from expending money unless it has been appropriated.

At December 31, 2017, expenditures exceeded appropriations, as follows:

	Appropriation		
	Authority	Expenditures	Variance
Gasoline Tax Fund	\$97,664	\$107,282	(\$9,618)

At December 31, 2016, expenditures exceeded appropriations, as follows:

	Appropriation		
	Authority	Expenditures	Variance
General Fund	\$38,918	\$64,474	(\$25,556)
Cemetery Fund	30,650	35,557	(4,907)
Fire Fund	49,200	53,224	(4,024)

The practice of allowing expenditures to exceed appropriations resulted in negative fund balances for the Township.

The Fiscal Officer should compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Board of Trustees should adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should deny requests for payment when appropriations are not available.

**Officials' Response:** Conversion to UAN should eliminate this finding. Up until October 21, 2018, Sutton Township reported to LGS and the compliance controls for UAN was turned off. Now, they are on and will not permit negative balances. Further, we are no longer reporting to LGS.

**SUTTON TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2017-004**

**Noncompliance**

Ohio Rev. Code § 5705.41(D)(1) states, in part, that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void and no warrants shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement states 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, blank certificates, and super blanket certificates, which are provided for in subsections (D)(1) and (D)(3) of § 5705.41, 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 receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not exceeding an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account and cannot extend beyond the end of the fiscal year. The blanket certificate may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

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.

Fifty percent (50%) of the transactions tested were not certified by the Fiscal Officer at the time the commitment was incurred and there was no evidence that the Township followed the aforementioned exceptions. In addition, the Board of Trustees did not establish a maximum amount for blanket certificates. Further, one hundred percent of regular purchase orders, blanket certificates, and super blanket certificates were not signed by the Trustees.

**SUTTON TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2017-004 (Continued)**

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

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, 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 the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certificate language of Ohio Rev. Code § 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs the commitment, and only when the requirements of Ohio Rev. Code § 5705.41(D) are satisfied, and they should be approved by the Board of Trustees. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation. In addition, the Trustees should establish by ordinance or resolution, a maximum amount for any blanket certificates used by the Township. Further, all purchase orders, blanket certificates, or super blanket certificates should be signed by the Trustees along with the Fiscal Officer.

**Officials' Response:** These exceptions should be corrected through conversion to UAN and through the experience of the Fiscal Officer. Purchase orders are now being used on all related expenses.

**FINDING NUMBER 2017-005**

**Material Weakness**

In our audit engagement letter, as required by AU-C § 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C § 210 paragraphs .A14 & .A16.

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Board of Trustees to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Township and the appropriation leader provides the process by which the Township controls spending, it is therefore necessary the amounts appropriated by the Board of Trustees are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments established the amounts available for expenditures for the Township and the receipts ledger provides the process by which the Township controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

At December 31, 2017, estimated receipts as approved by the Budget Commission did not agree to the Township's accounting system as follows:



**SUTTON TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

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

**FINDING NUMBER 2017-005 (Continued)**

**Material Weakness (Continued)**

	Approved	System	Variance
General Fund	\$54,294	\$69,633	(\$15,339)

At December 31, 2016, estimated receipts as approved by the Budget Commission did not agree to the Township's accounting system as follows:

	Approved	System	Variance
General Fund	\$38,918	\$62,168	(\$23,250)
Motor Vehicle License Tax	10,890	11,630	(740)
Gasoline Tax	85,564	79,714	5,850
Road and Bridge	18,159	19,559	(1,400)
Cemetery	33,602	37,102	(3,500)
Fire	40,276	44,526	(4,250)

At December 31, 2017, approved appropriations did not agree to the Township's accounting system as follows:

	Approved	System	Variance
Gasoline Tax	\$97,664	\$114,254	(\$16,590)
Fire	83,003	80,464	2,539

At December 31, 2016, approved appropriations did not agree to the Township's accounting system as follows:

	Approved	System	Variance
General Fund	\$38,918	\$63,835	(\$24,917)
Gasoline Tax Fund	84,202	54,713	29,489
Road and Bridge	18,431	17,343	1,088
Cemetery	30,650	35,733	(5,083)
Fire	49,200	50,700	(1,500)
Permanent	4,383	0	4,383

The Township did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations approved by the Board of Trustees were not properly posted to the accounting system. Additionally, the approved Certificate of Estimated Resources and amendments thereof were not properly posted to the accounting system.

Failure to accurately post the appropriations and estimated receipts to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the financial statements.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Township should post to the ledgers, on a timely basis, estimated receipts as certified by the budget commission and appropriations approved by the Board of Trustees. The Township should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

**SUTTON TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2017-005 (Continued)**

**Material Weakness (Continued)**

**Officials' Response:** These findings should be corrected through the use of UAN software. Appropriations are adopted and entries are monitored daily and reported to the Board monthly.

**FINDING NUMBER 2017-006**

**Material Weakness**

In our audit engagement letter, as required by AU-C § 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C § 210 paragraphs .A14 & .A16.

The financial statements had the following errors that required an audit adjustment or reclassification:

2016:

- General Fund other debt proceeds of \$3,639 and debt service principal and interest and fiscal charges of \$3,569 and \$70, respectively, were unrecorded;
- General Fund other debt proceeds receipts and capital outlay disbursements of \$4,919 were unrecorded;
- General Fund debt service principal and interest and fiscal charges in the amount of \$547 and \$55, respectively, were incorrectly classified as general government disbursements;
- Motor Vehicle License Tax Fund intergovernmental receipt was incorrectly recorded in the General Fund in the amount of \$383;
- Gasoline Tax Fund other debt proceeds receipts and capital outlay disbursements of \$2,459 were unrecorded;
- Road and Bridge intergovernmental receipts of \$1,266 were incorrectly recorded in the General Fund;
- Road and Bridge Fund public works disbursements were incorrectly classified as human services in the amount of \$9,222;
- Cemetery Fund other debt proceeds receipts and capital outlay disbursements of \$2,460 were unrecorded;
- Cemetery Fund intergovernmental receipts of \$1,361 were incorrectly recorded in the General Fund;
- Fire Fund property tax receipts were incorrectly classified as intergovernmental receipts in the amount of \$30,474;
- Fire Fund intergovernmental receipts of \$1,277 were incorrectly recorded in the General Fund; and
- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances on the financial statements and was codified as follows: GASB Cod. 1800.166 require reporting amounts that are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The Township incorrectly reported the nonspendable corpus (or principal) of the Permanent Fund's cash balance as restricted in the amount of \$4,383.

**SUTTON TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2017-006 (Continued)**

**Material Weakness (Continued)**

2017:

- General Fund other debt proceeds receipts and capital outlay disbursements of \$5,306 were unrecorded;
- General Fund intergovernmental receipts of \$3,506 were incorrectly classified as taxes;
- General Fund sale of capital asset receipts of \$2,600 were incorrectly classified as miscellaneous receipts;
- General Fund general government disbursements of \$1,564 were incorrectly posted as health disbursements in the Gasoline Tax Fund;
- Motor Vehicle License Tax Fund other debt proceeds and capital outlay disbursements of \$379 were unrecorded;
- Motor Vehicle License Tax Fund intergovernmental receipt of \$355 was incorrectly recorded in the General Fund;
- Gasoline Tax Fund intergovernmental receipt of \$5,038 was incorrectly recorded in the General Fund;
- Gasoline Tax Fund debt service principal retirement and other debt proceeds receipts of \$7,312 were unrecorded;
- Gasoline Tax Fund debt service principal retirement of \$495 and debt service interest and fiscal charges of \$79 were incorrectly classified as public works disbursements;
- Gasoline Tax Fund debt service principal retirement disbursements were incorrectly classified as public works in the amount of \$492;
- Gasoline Tax Fund other debt proceeds and capital outlay disbursements of \$12,888 were unrecorded;
- Cemetery Fund other debt proceeds and capital outlay disbursements of \$5,306 were unrecorded;
- Cemetery Fund debt service principal retirement and other debt proceeds receipts of \$550 were unrecorded;
- Cemetery Fund debt service principal retirement of \$496 and debt service interest and fiscal charges of \$78 were incorrectly classified as health disbursements;
- Fire Fund property tax receipts of \$635 were incorrectly recorded as taxes in the Cemetery Fund; and
- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances on the financial statements and was codified as follows: GASB Cod. 1800.166 require reporting amounts that are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The Township improperly reported the nonspendable corpus (or principal) of the Permanent Fund's cash balance as restricted in the amount of \$4,383.

These adjustments have been posted to the Township's accounting system and are reflected in the accompanying financial statements.

The Fiscal Officer should review the Township handbook for guidance to ensure the financial statements are complete and accurate. The Fiscal Officer should also review Auditor of State Bulletin 2011-004 for Statement No. 54 of the Governmental Accounting Standards Board (GASB) for proper reporting of fund balances on the financial statements [see GASB Cod. 1800.166].

**SUTTON TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b></p>
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**FINDING NUMBER 2017-006 (Continued)**

**Material Weakness (Continued)**

**Officials' Response:** Fiscal Officer agrees to follow guidelines set forth in the Township Handbook and Governmental Accounting Standards for posting entries. Any further questions will be addressed to our Legal Counsel.

# SUTTON TOWNSHIP

28180 Apple Grove Dorcas Road, Racine, Ohio 45771

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Email:sutton.township@gmail.com

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2017 AND 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Noncompliance for Ohio Rev. Code § 505.262(A) unallowable type of debt.	Not corrected.	Will work on correcting this.
2015-002	Noncompliance for Ohio Rev. Code § 5705.10(I) Deficit Fund Balances.	Not corrected.	UAN does not permit deficit fund balances so this will be corrected in the future.
2015-003	Noncompliance for Ohio Rev. Code §§ 5705.38 and 5705.41(B) – Appropriation measure and Disbursements exceeding appropriations.	Not corrected.	Working on this; conversion with UAN will help as well as the experience of the Fiscal Officer.
2015-004	Noncompliance for Ohio Rev. Code § 5705.39 appropriations exceeded estimated resources	Not corrected.	This will likewise be corrected with the conversion to UAN.
2015-005	Noncompliance for Ohio Rev. Code § 5705.41(D)(1) – Not certifying expenditures.	Not corrected.	Correction to this is planned through the use of purchase orders.
2015-006	Noncompliance/Material Weakness of Ohio Admin Code §§ 117-2-01(D)(3)(5) for not preparing timely monthly reconciliations that included other adjusting factors	Corrected	Monthly bank reconciliations are now being completed.
2015-007	Noncompliance/Material Weakness of Ohio Admin Code § 117-2-01 (D)(4) – Limited review of financial reports	Corrected	Monthly review of financial reports was implemented on 1/1/2016
2015-008	Noncompliance/Material Weakness of Ohio Admin Code § 117-2-02 (A) for not maintaining supporting documentation and posting to the manual cash ledger	Corrected	This has been corrected.

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2017 AND 2016 (Continued)

2015-009	Noncompliance/Material Weakness of Ohio Admin Code § 117-2-02 (A) for not posting receipts and disbursements correctly.	Not corrected.	Improvements have been made and continuing to reverse this finding.
2015-010	Ohio Rev. Code § 117.38 for not timely filing the annual financial statements.	Corrected	Financial statements are filed in a timely manner.



# Dave Yost • Auditor of State

**SUTTON TOWNSHIP**

**MEIGS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 15, 2018**