



**SUGAR CREEK TOWNSHIP
PUTNAM COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2008



Mary Taylor, CPA
Auditor of State

**SUGAR CREEK TOWNSHIP
PUTNAM COUNTY**

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Mary Taylor, CPA

Auditor of State

Sugar Creek Township
Putnam County
P.O. Box 111
Vaughnsville, Ohio 45893-0111

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 27, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Sugar Creek Township
Putnam County
P.O. Box 111
Vaughnsville, Ohio 45893-0111

To the Board of Trustees:

We have audited the accompanying financial statements of Sugar Creek Township, Putnam County, (the Township) as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2008 and 2007, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Sugar Creek Township, Putnam County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2009, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

April 27, 2009

**SUGAR CREEK TOWNSHIP
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$17,266	\$54,249	\$71,515
Charges for Services		6,652	6,652
License, Permits, and Fees		2,969	2,969
Intergovernmental	33,454	109,520	142,974
Earnings on Investments	1,605	51	1,656
Miscellaneous	1,789	399	2,188
	<hr/>		
Total Cash Receipts	54,114	173,840	227,954
Cash Disbursements:			
Current:			
General Government	43,960		43,960
Public Safety		16,184	16,184
Public Works		112,166	112,166
Health	338	9,709	10,047
Debt Service:			
Redemption of Principal	232	8,394	8,626
Interest and Other Fiscal Charges	181	6,606	6,787
	<hr/>		
Total Cash Disbursements	44,711	153,059	197,770
	<hr/>		
Total Cash Receipts over Cash Disbursements	9,403	20,781	30,184
Other Financing Disbursements:			
Other Financing Uses	(672)		(672)
	<hr/>		
Excess of Cash Receipts Over Cash Disbursements and Other Financing Disbursements	8,731	20,781	29,512
	<hr/>		
Fund Cash Balances, January 1	43,449	56,132	99,581
	<hr/>		
Fund Cash Balances, December 31	<u>\$52,180</u>	<u>\$76,913</u>	<u>\$129,093</u>

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

**SUGAR CREEK TOWNSHIP
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$18,743	\$56,241		\$74,984
Charges for Services	1	6,652		6,653
Licenses, Permits, and Fees		4,432		4,432
Intergovernmental	75,173	107,154	\$19,000	201,327
Earnings on Investments	1,835	82		1,917
Miscellaneous	1,950	718		2,668
Total Cash Receipts	<u>97,702</u>	<u>175,279</u>	<u>19,000</u>	<u>291,981</u>
Cash Disbursements:				
Current:				
General Government	45,735			45,735
Public Safety		13,501		13,501
Public Works		137,924		137,924
Health		5,290		5,290
Capital Outlay		2,132	19,000	21,132
Debt Service:				
Redemption of Principal	2,852	5,295		8,147
Interest and Other Fiscal Charges	2,543	4,724		7,267
Total Cash Disbursements	<u>51,130</u>	<u>168,866</u>	<u>\$19,000</u>	<u>238,996</u>
Total Cash Receipts Over Cash Disbursements	<u>46,572</u>	<u>6,413</u>		<u>52,985</u>
Other Financing Disbursements:				
Other Financing Uses	(5,612)			(5,612)
Excess of Cash Receipts Over Cash Disbursements and Other Financing Disbursements	<u>40,960</u>	<u>6,413</u>		<u>47,373</u>
Fund Cash Balances, January 1	<u>2,489</u>	<u>49,719</u>		<u>52,208</u>
Fund Cash Balances, December 31	<u><u>\$43,449</u></u>	<u><u>\$56,132</u></u>		<u><u>\$99,581</u></u>

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

**SUGAR CREEK TOWNSHIP
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Sugar Creek Township, Putnam 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 and cemetery maintenance. The Township contracts with the Villages of Kalida, Columbus Grove, and Fort Jennings to provide fire services.

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

B. Accounting Basis

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

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

C. Deposits and Investments

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.

The Township values certificates of deposit at cost.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

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

2. Special Revenue Funds

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

Road and Bridge – This fund receives property tax money for constructing, maintaining, and repairing Township road and bridges.

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

**SUGAR CREEK TOWNSHIP
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

3. Capital Project Fund

This fund accounts for receipts restricted to acquiring or constructing major capital projects. The Township had the following significant capital project fund:

Issue II Fund - The Township received a grant from the State of Ohio to resurface Township roads.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. 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.

**SUGAR CREEK TOWNSHIP
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

2. EQUITY IN POOLED 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:

	2008	2007
Demand deposits	\$70,994	\$42,936
Certificates of Deposit	58,099	56,645
Total Deposits	\$129,093	\$99,581

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$59,130	\$54,114	(\$5,016)
Special Revenue	168,328	173,840	5,512
Total	\$227,458	\$227,954	\$496

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$102,578	\$45,383	\$57,195
Special Revenue	224,460	153,059	71,401
Total	\$327,038	\$198,442	\$128,596

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$61,067	\$97,702	\$36,635
Special Revenue	172,300	175,279	2,979
Capital Projects		19,000	19,000
Total	\$233,367	\$291,981	\$39,614

**SUGAR CREEK TOWNSHIP
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. BUDGETARY ACTIVITY – (CONTINUED)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$63,525	\$56,742	\$6,783
Special Revenue	222,020	168,866	53,154
Capital Projects		19,000	(19,000)
Total	\$285,545	\$244,608	\$40,937

In 2007, the Township was the beneficiary of \$19,000 of Ohio Public Works Commission (OPWC) money sent directly to the vendor by OPWC. This activity was not recorded on the ledgers of the Township. These funds were not appropriated causing expenditures to exceed appropriations in the Issue II fund by \$19,000 in 2005.

4. PROPERTY TAX

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

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

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

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

5. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPERS members contributed 10% and 9.5%, respectively, of their gross salaries and the Township contributed an amount equaling 14 and 13.85%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

**SUGAR CREEK TOWNSHIP
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

6. 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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). 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 Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provide aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

**SUGAR CREEK TOWNSHIP
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

6. 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, 2007 and 2006 (the latest information available).

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$3,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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>	
2006	\$5,782
2007	\$4,729
2008	\$3,535

7. DEBT

Debt outstanding at December 31, 2008, was as follows:

Open Ended Mortgage	<u>Principal</u> <u>\$158,124</u>	<u>Interest Rate</u> 4%
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The Township entered into an open ended mortgage in 2003. The mortgage is for 20 years with the final payment due in 2023. There is no statutory authority for the Township to enter into this type of debt agreement.

**SUGAR CREEK TOWNSHIP
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

7. DEBT – (CONTINUED)

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

Year ending December 31:	<u>Principal</u>	<u>Interest</u>
2009	\$9,216	\$6,198
2010	9,553	5,861
2011	9,939	5,475
2012	10,326	5,088
2013	10,757	4,657
2014-2018	60,656	16,414
2019-2023	47,677	3,744
Total	<u>\$158,124</u>	<u>\$47,437</u>

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Mary Taylor, CPA

Auditor of State

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

Sugar Creek Township
Putnam County
P.O. Box 111
Vaughnsville, Ohio 45893-0111

To the Board of Trustees:

We have audited the financial statements of Sugar Creek Township, Putnam County, (the Township) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated April 27, 2009, wherein we noted the Township followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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

We consider findings 2008-002 and 2008-003 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiencies described above are also material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated April 27, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2008-001 and 2008-002.

We also noted certain noncompliance not requiring inclusion in this report that we reported to the Township's management in a separate letter dated April 27, 2009.

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



Mary Taylor, CPA
Auditor of State

April 27, 2009

**SUGAR CREEK TOWNSHIP
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-001

Noncompliance Citation

Ohio Revised Code § 505.262(A) authorizes a board of township trustees, by unanimous vote, to adopt a resolution allowing the township to contract for the purchase of equipment, buildings, and sites, or for the construction of buildings, for any lawful township purpose. A township is not authorized, however, to grant a lender or vendor a security interest in property purchased and financed by the board in accordance with the terms of this section. See OAG 96-048 for further elaboration.

On August 27, 2004, the Township entered into a \$210,000 open-ended, 20-year mortgage for the construction of a Township building. This mortgage gave the lender a security interest in the property. As noted above, there is no statutory authority for issuing this type of debt.

We recommend the Township consult with their legal counsel on how to correct this debt agreement and consult with their legal counsel before entering into any future debt agreements.

FINDING NUMBER 2008-002

Noncompliance Citation/Material Weakness

Ohio Revised Code § 5705.42 states when the United States government or the state or any department division, agency, authority or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity or function of such subdivision, or enters into an agreement with the subdivision for the making of any such grant or loan of money, the amount thereof is deemed appropriated for such purposes by the taxing authority of the subdivision, and is deemed in the process of collection within the meaning of § 5705.41 of the Ohio Revised Code.

In 2007, the Township was the beneficiary of \$19,000 of Ohio Public Work Commission (OPWC) money sent directly to the vendor by OPWC. This activity was not recorded on the ledgers of the Township. Since OPWC paid the invoices, the Township did not receive this cash. However, Auditor of State Bulletin 2000-008 and 2002-004 prescribe recording these transactions as receipts and disbursements when the Village applies for a project and has administrative responsibilities. The accompanying financial statements were adjusted to reflect these amounts in a Capital Project Fund. These funds were not appropriated causing expenditures to exceed appropriations in the Issue II fund by \$19,000 in 2007, contrary to Ohio Revised Code § 5705.41(B) which requires all expenditures to be appropriated.

We recommend the Township record all benefits received from state or federal grants as a memo receipt and expenditure on the Township's records and appropriate funds for the expenditures. In addition, Township management should review Auditor of State Bulletins 2000-008 and 2002-004.

FINDING NUMBER 2008-003

Material Weakness

Financial Reporting

Inaccurate posting of transactions impedes the ability of the Trustees to accurately assess the financial status of the Township. We noted examples such as the following during our audit:

- On-behalf monies of \$19,000 for an Issue II project were not posted to the financial statements.
- Township Road Allowance for \$6,652 in 2008 and \$6,652 in 2007 was posted to miscellaneous revenue instead of charges for services.
- Debt payments of \$20,809 were posted to various expenditure line items.

As a result, the Township's financial statements did not correctly reflect the financial activity of the Township. The accompanying financial statements have been adjusted so these transactions reflect their intended use.

We recommend the Fiscal Officer post all transactions in accordance with the guidance established by the Uniform Accounting Network manual. Further, the Township should adopt policies and procedures including a fiscal review of the financial statements by the Fiscal Officer and the Trustees to ensure errors and omissions are detected and corrected.

Officials' Response

We did not receive a response from Official's to the findings reported above.

**SUGAR CREEK TOWNSHIP
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Material Weakness due to errors in Financial Reporting	No	Not corrected. This finding has been repeated in this report as item 2008-003.
2006-002	Ohio Revised Code § 5705.41(B), expenditures exceeding appropriations.	Yes	
2006-003	Ohio Revised Code § 5705.40 supplemental appropriations approval.	Yes	
2006-004	Ohio Revised Code § 5705.42 Not recording on-behalf payments	No	Not corrected. This finding has been repeated in this report as item 2008-002.
2006-005	Ohio Revised Code § 505.262(A) No statutory authority for issuing mortgage debt	No	Not corrected. This finding has been repeated in this report as item 2008-001.



Mary Taylor, CPA
Auditor of State

SUGAR CREEK TOWNSHIP

PUTNAM 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
MAY 14, 2009**