



Dave Yost • Auditor of State

**SUGARCREEK TOWNSHIP
TUSCARAWAS COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Sugarcreek Township
Tuscarawas County
225 Rhine Street
Sugarcreek, Ohio 44681

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Sugarcreek Township, Tuscarawas County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 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, to satisfy these requirements.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Sugarcreek Township, Tuscarawas County, Ohio, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2014, 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 27, 2014

**SUGARCREEK TOWNSHIP
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Debt Service	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$72,938	\$186,866	\$10,900		\$270,704
Licenses, Permits and Fees		11,350			11,350
Intergovernmental	73,676	123,641			197,317
Special Assessments	2,876				2,876
Earnings on Investments	272	13		\$2	287
Miscellaneous	4,223	20,562			24,785
<i>Total Cash Receipts</i>	<u>153,985</u>	<u>342,432</u>	<u>10,900</u>	<u>2</u>	<u>507,319</u>
Cash Disbursements					
Current:					
General Government	107,409	45,457			152,866
Public Safety		66,723			66,723
Public Works	25,894	243,982			269,876
Health		52,443			52,443
Capital Outlay		1,369			1,369
Debt Service:					
Principal Retirement			9,963		9,963
Interest and Fiscal Charges			937		937
<i>Total Cash Disbursements</i>	<u>133,303</u>	<u>409,974</u>	<u>10,900</u>	<u>2</u>	<u>554,177</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>20,682</u>	<u>(67,542)</u>	<u>0</u>	<u>2</u>	<u>(46,858)</u>
<i>Fund Cash Balances, January 1</i>	<u>32,340</u>	<u>281,669</u>	<u>0</u>	<u>2,537</u>	<u>316,546</u>
Fund Cash Balances, December 31					
Nonspendable				1,000	1,000
Restricted for:					
Road Maintenance and Repairs		11,470			11,470
Road and Bridge Maintenance and Repairs		9,656			9,656
EMS and Fire Protection		168,191			168,191
Cemetery		24,810			24,810
Assigned	52,899			1,539	54,438
Unassigned	123				123
<i>Fund Cash Balances, December 31</i>	<u>\$53,022</u>	<u>\$214,127</u>	<u>\$0</u>	<u>\$2,539</u>	<u>\$269,688</u>

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

**SUGARCREEK TOWNSHIP
TUSCARAWAS COUNTY**

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

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$73,562	\$198,307		\$271,869
Licenses, Permits and Fees		10,800		10,800
Intergovernmental	57,443	152,315		209,758
Special Assessments	2,706			2,706
Earnings on Investments	466	28	\$3	497
Miscellaneous	528	16,551		17,079
<i>Total Cash Receipts</i>	<u>134,705</u>	<u>378,001</u>	<u>3</u>	<u>512,709</u>
Cash Disbursements				
Current:				
General Government	113,782	45,784		159,566
Public Safety		101,594		101,594
Public Works		228,927		228,927
Health		26,999		26,999
Capital Outlay		40,808		40,808
<i>Total Cash Disbursements</i>	<u>113,782</u>	<u>444,112</u>		<u>557,894</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>20,923</u>	<u>(66,111)</u>	<u>3</u>	<u>(45,185)</u>
Other Financing Receipts				
Debt Proceeds		30,808		30,808
<i>Total Other Financing Receipts</i>		<u>30,808</u>		<u>30,808</u>
<i>Net Change in Fund Cash Balances</i>	20,923	(35,303)	3	(14,377)
<i>Fund Cash Balances, January 1</i>	<u>11,417</u>	<u>316,972</u>	<u>2,534</u>	<u>330,923</u>
Fund Cash Balances, December 31				
Nonspendable			1,000	1,000
Restricted for:				
Road Maintenance and Repairs		13,474		13,474
Road and Bridge Maintenance and Repairs		35,923		35,923
EMS and Fire Protection		175,622		175,622
Cemetery		56,650		56,650
Assigned	32,285		1,537	33,822
Unassigned	55			55
<i>Fund Cash Balances, December 31</i>	<u>\$32,340</u>	<u>\$281,669</u>	<u>\$2,537</u>	<u>\$316,546</u>

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

**SUGARCREEK TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Sugarcreek Township, Tuscarawas 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, fire protection and emergency medical services. The Township contracts with the Village of Sugarcreek to provide fire services and Swiss Valley Joint Ambulance District to provide ambulance services.

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. The organization is:

Public Entity Risk Pool:

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio governments. OTARMA provides a formalized, jointly administered self-insurance risk management program and other administrative services to its members.

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

All cash is maintained in an interest-bearing checking account.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

**SUGARCREEK TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

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

Fire and Ambulance Levy Fund - This fund receives property tax money to provide fire and ambulance services to residents of the Township.

3. Debt Service Fund

This fund accounts for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

Miscellaneous Debt Service Fund - This fund receives property tax money for the repayment of debt for the Township's excavator.

4. 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 Funds:

Cemetery Bequest Fund - This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the overall cemetery embellishments.

Mausoleum Trust Fund - This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's mausoleum.

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. Unencumbered appropriations lapse at year end.

**SUGARCREEK TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

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 approve estimated resources.

3. Encumbrances

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

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

3. 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.

4. 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.

**SUGARCREEK TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

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

G. Property, Plant, and Equipment

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

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits

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

	2013	2012
Demand deposits	\$269,688	\$316,546

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation, or collateralized by securities specifically pledged by the financial institution to the Township.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$110,144	\$153,985	\$43,841
Special Revenue	340,600	342,432	1,832
Debt Service	10,900	10,900	0
Permanent	3	2	(1)
Total	\$461,647	\$507,319	\$45,672

**SUGARCREEK TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. Budgetary Activity (Continued)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$141,946	\$133,997	\$7,949
Special Revenue	619,480	411,489	207,991
Debt Service	10,900	10,900	0
Permanent	1,540	0	1,540
Total	\$773,866	\$556,386	\$217,480

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$119,859	\$134,705	\$14,846
Special Revenue	338,013	408,809	70,796
Permanent	2	3	1
Total	\$457,874	\$543,517	\$85,643

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$141,701	\$114,332	\$27,369
Special Revenue	641,975	446,135	195,840
Permanent	1,252	0	1,252
Total	\$784,928	\$560,467	\$224,461

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.

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

5. Debt

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Excavator Loan	\$20,845	3%

**SUGARCREEK TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

5. Debt (Continued)

The Excavator Loan through The Commercial & Savings Bank was issued in the amount of \$30,808 for 3 years at 3% interest on April 4, 2012. Annual payments are due on April 1st of each year until the maturity date of April 1, 2015. The loan is collateralized by the full faith and credit of the Township.

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

Year ending December 31:	Excavator Loan
2014	\$10,900
2015	10,900
Total	<u>\$21,800</u>

6. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, 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, 2013.

7. Risk Management

Risk Pool Membership

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, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

**SUGARCREEK TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

7. Risk Management (Continued)

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, 2013 and 2012 (the latest information available):

	<u>2013</u>	<u>2012</u>
Assets	\$34,954,286	\$34,771,270
Liabilities	8,486,363	9,355,082
Net Position	\$26,467,923	\$25,416,188

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December

31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$2,000.

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

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2012</u>
\$4,405	\$4,291

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

**SUGARCREEK TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

8. Health Insurance

The Township provides health insurance to all full-time employees through Tuscarawas County (County). The Township is invoiced their monthly premiums and the premiums are paid to the County. All risk transfers to the County.



Dave Yost • Auditor of State

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

Sugarcreek Township
Tuscarawas County
225 Rhine Street
Sugarcreek, Ohio 44681

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Sugarcreek Township, Tuscarawas County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated October 27, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.28 and Ohio Administrative Code § 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Finding 2013-001 described in the accompanying Schedule of Findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2013-002.

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

October 27, 2014

**SUGARCREEK TOWNSHIP
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2013-001

Material Weakness - Financial Reporting

Errors were noted in the financial statement that required audit adjustments and reclassifications as follows:

- In 2012, the Township recorded a prior audit adjustment as Transfers Out within the General Fund instead of adjusting beginning fund balance in the amount of \$11,179. This prior audit adjustment was also recorded as Transfers In within the Road & Bridge Fund, Cemetery Fund, and Fire & Ambulance Fund instead of adjusting beginning fund balance in the amounts of \$6,514, \$1,078, and \$3,587, respectively.
- In both 2012 and 2013, the Township misclassified homestead and rollback revenue and tangible personal property tax revenue as Taxes instead of Intergovernmental. Within the General Fund, Road & Bridge Fund, Cemetery Fund, and Fire & Ambulance Fund for 2012, this amounted to \$16,563, \$17,609, \$4,132, and \$10,196, respectively. Within the General Fund, Road & Bridge Fund, Cemetery Fund, and Fire & Ambulance Fund for 2013, this amounted to \$8,701, \$9,380, \$2,174, and \$5,438, respectively.
- In both 2012 and 2013, the Township misclassified amounts within the General Fund Assigned Fund Balance as Unassigned, when amounts had been assigned for subsequent year appropriations and encumbrances. These amounts were \$32,285 and \$52,899 for 2012 and 2013, respectively.
- In both 2012 and 2013, the Township misclassified amounts within the Gasoline Tax Fund and Road & Bridge Fund Restricted Fund Balance as Committed. These amounts for the Gasoline Tax Fund were \$9,622 and \$9,726 for 2012 and 2013, respectively. These amounts for the Road & Bridge Fund were \$35,923 and \$9,656 for 2012 and 2013, respectively.
- In both 2012 and 2013, the Township misclassified amounts within the Cemetery Fund Restricted Fund Balance as Assigned. These amounts were \$56,650 and \$24,810 for 2012 and 2013, respectively.
- In 2012, the Township entered into debt for the purchase of an excavator. The debt activity was not recorded on the Township's financial statements in the amount of \$30,808 with \$15,404 from the Road & Bridge Fund and \$15,404 from the Cemetery Fund should have been classified as both Capital Outlay and Proceeds of Debt.
- In both 2012 and 2013, the Township misclassified amounts within the Cemetery Bequest Fund and Mausoleum Trust Fund Non-spendable Fund Balance as Fund Balance. These amount for the Cemetery Bequest Fund were \$500 for both 2012 and 2013. These amounts for the Mausoleum Trust Fund were \$500 for both 2012 and 2013.
- In both 2012 and 2013, the Township misclassified amounts within the Cemetery Bequest Fund and Mausoleum Trust Fund Restricted Fund Balance as Fund Balance. These amounts for the Cemetery Bequest Fund were \$1,253 and \$1,254 for 2012 and 2013, respectively. These amounts for the Mausoleum Trust Fund were \$284 and \$285 for 2012 and 2013, respectively.

Sound financial reporting is the responsibility of the Fiscal Officer and Board of Trustees and is essential to ensure the information provided to the readers of the financial statement is complete and accurate. The financial statement has been adjusted accordingly.

To help ensure the Township's financial statement and notes to the financial statement are complete and accurate, the Township should adopt policies and procedures, including a final review of the financial statement and notes by the Fiscal Officer and Board of Trustees, to help identify and correct errors and omissions.

**SUGARCREEK TOWNSHIP
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number 2013-002

Noncompliance

Ohio Rev. Code Chapter 133 allows various methods for subdivisions to incur debt. § 133.22 allows a subdivision to issue anticipatory securities; § 133.10 allows 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; § 133.15 allows the issuance of 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; and § 133.18 allows the taxing authority of a subdivision by legislation to 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.

The Board of Trustees and Fiscal Officer signed a 2012 bank loan with The Commercial & Savings Bank for the purchase of an excavator in the amount of \$30,808. This debt is a bank loan between a banking institution and the Township, and as such, the note was not within the provisions set forth in Ohio Revised Code Chapter 133. The Ohio Revised Code contains various methods of incurring debt for Townships. Installment loans with banking institutions are not legal methods of debt for Townships.

The Board of Trustees should consult with the Township's legal counsel prior to the Township incurring future debt.

Official's Response: The client has elected not to respond to the Findings.

**SUGARCREEK TOWNSHIP
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2011-001	A material weakness was issued regarding financial reporting.	No	Not Corrected: Repeated as Finding 2013-001.

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Dave Yost • Auditor of State

SUGARCREEK TOWNSHIP

TUSCARAWAS 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 13, 2014**