



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**SUGARCREEK TOWNSHIP
GREENE COUNTY**

TABLE OF CONTENTS

| TITLE | PAGE |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| Report of Independent Accountants | 1 |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental and Fiduciary Fund Types – For the Year Ended December 31, 2001 | 3 |
| Notes to the Financial Statements | 5 |
| Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> | 13 |
| Schedule of Findings..... | 15 |
| Schedule of Prior Audit Findings..... | 19 |

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Sugarcreek Township
Greene County
26 E. Franklin Street
Bellbrook, Ohio 45305

To the Board of Trustees:

We have audited the accompanying financial statement of Sugarcreek Township, Greene County, (the Township) as of and for the year ended December 31, 2001. The financial statement is the responsibility of the Township's management. Our responsibility is to express an opinion on the financial statement 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 10, there is ongoing litigation regarding the theft of Township zoning permit fees and county tax distributions.

As discussed in Note 1, the Township prepares its financial statement on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statement referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, the Board of Trustees, and other officials authorized to receive this report under §117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

October 10, 2002

**SUGARCREEK TOWNSHIP
GREENE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

| | <u>Governmental Fund Types</u> | | | | <u>Fiduciary Fund Type</u> | <u>Totals (Memorandum Only)</u> |
|------------------------------------------------------------------------------------------------------------------------------|--------------------------------|----------------------------|-------------------------|-----------------------------|--------------------------------|-----------------------------------------|
| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Expendable Trust</u> | |
| Cash Receipts: | | | | | | |
| Local Taxes | \$118,424 | \$2,425,893 | | | | \$2,544,317 |
| Intergovernmental | 217,563 | 307,006 | | | | 524,569 |
| Charges for Services | | 55,460 | | | | 55,460 |
| Licenses, Permits, and Fees | 16,771 | 7,304 | | | | 24,075 |
| Fines, Forfeitures, and Penalties | 32,575 | 3,134 | | | | 35,709 |
| Earnings on Investments | 147,615 | 3,722 | | | \$10 | 151,347 |
| Other Revenue | 645 | 27,880 | \$44,307 | \$324 | | 73,156 |
| | <u>533,593</u> | <u>2,830,399</u> | <u>44,307</u> | <u>324</u> | <u>10</u> | <u>3,408,633</u> |
| Total Cash Receipts | | | | | | |
| Cash Disbursements: | | | | | | |
| Current: | | | | | | |
| General Government | 438,770 | 20,211 | | | | 458,981 |
| Public Safety | 4,917 | 2,061,714 | | | | 2,066,631 |
| Public Works | | 506,729 | | | | 506,729 |
| Capital Outlay | 150,787 | 157,509 | | 756,792 | | 1,065,088 |
| | <u>594,474</u> | <u>2,746,163</u> | | <u>756,792</u> | | <u>4,097,429</u> |
| Total Cash Disbursements | | | | | | |
| Total Receipts Over/(Under) Disbursements | <u>(60,881)</u> | <u>84,236</u> | <u>44,307</u> | <u>(756,468)</u> | <u>10</u> | <u>(688,796)</u> |
| Other Financing Receipts and (Disbursements): | | | | | | |
| Transfers-In | 1,033,872 | 79 | 1,557 | 476,972 | | 1,512,480 |
| Advances-In | | 345,000 | | | | 345,000 |
| Transfers-Out | (93,529) | (385,000) | (79) | (1,033,872) | | (1,512,480) |
| Advances-Out | (345,000) | | | | | (345,000) |
| | <u>595,343</u> | <u>(39,921)</u> | <u>1,478</u> | <u>(556,900)</u> | | |
| Total Other Financing Receipts/(Disbursements) | | | | | | |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | 534,462 | 44,315 | 45,785 | (1,313,368) | 10 | (688,796) |
| Fund Cash Balances, January 1 (See Note 2) | <u>1,183,868</u> | <u>1,002,715</u> | <u>40,078</u> | <u>1,446,178</u> | <u>238</u> | <u>3,673,077</u> |
| Fund Cash Balances, December 31 | <u>\$1,718,330</u> | <u>\$1,047,030</u> | <u>\$85,863</u> | <u>\$132,810</u> | <u>\$248</u> | <u>\$2,984,281</u> |
| Reserve for Encumbrances, December 31 | <u>\$150</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$150</u> |

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

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**SUGARCREEK TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Sugarcreek Township, Greene County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

The Township's management believes these financial statements present all activities for which the Township is financially accountable, except debt service funds maintained by outside custodians are not included in these financial statements. Assets held by custodians are described in Note 9 to the financial statements.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Police District - This fund receives property tax money for providing police protection to the residents of the Township.

Fire District Fund - This fund receives property tax money for providing fire protection and emergency medical services to the residents of the Township.

**SUGARCREEK TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 to pay for constructing, maintaining and repairing Township roads.

3. Debt Service Funds

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following significant Debt Service Funds:

Sinking Fund – This fund is utilized for the repayment of debt on the public safety building.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project funds:

Fire Rescue/ Tanker/ Pumper Fund – This fund is utilized to set-aside money for the purchase of new fire equipment for the Township.

Service Equipment Fund – This fund is utilized to set-aside money for the purchase of necessary Service Equipment for the Township.

Township House Fund – This fund was being utilized to set-aside money for the construction of a new Township Building. However, during 2001, the Township chose to eliminate this fund and the monies were returned to the General Fund.

5. Expendable Trust Fund

This fund is used to account for resources restricted by legally binding trust agreements. The Township had the following significant fiduciary funds:

Police Crime Prevention Fund - A trust fund established to account for donations for police crime prevention.

E. Budgetary Process

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

1. Appropriations

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

**SUGARCREEK TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 also approve estimated resources.

3. Encumbrances

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

A summary of 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

2. RESTATEMENT OF BEGINNING BALANCES

Adjustments were made to the Township's Beginning Fund Cash Balances as of January 1, 2001. As of December 31, 2000, the Fire Rescue/Tanker/Pumper Fund and the Service Equipment Fund in the Capital Projects Fund Type owed the General Fund for interest, which should not have been posted directly into these funds. The total amount due was \$12,716. These funds did not have monies available to cover the repayment. Therefore, monies were repaid from the Special Revenue Funds which originally funded these Capital Projects Funds. This resulted in a decrease in the Special Revenue Funds and a corresponding increase in the Capital Projects Funds.

Additionally, an adjustment to the Beginning Fund Cash Balance as of January 1, 2001 was posted to the Road and Bridge Fund, Special Revenue Fund Type in the amount of \$1,484 for prior year corrections.

| | Special Revenue Fund | Capital Projects Fund |
|--------------------------------------|----------------------------|-----------------------------|
| Fund Cash Balance, December 31, 2000 | \$1,016,915 | \$1,433,462 |
| Restatement Amount | (14,200) | 12,716 |
| Fund Cash Balance, January 1, 2001 | \$1,002,715 | \$1,446,178 |

**SUGARCREEK TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

3. EQUITY IN POOLED CASH AND INVESTMENTS

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

| | |
|--------------------------------|-------------|
| | 2001 |
| Demand deposits | \$2,624,461 |
| Repurchase agreement | 359,820 |
| Total deposits and investments | \$2,984,281 |

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or 2) collateralized by the financial institution's public entity deposit pool.

Investments: The Township's financial institution transfers securities to the Township's agent to collateralize repurchase agreements. The securities are not in the Township's name.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 follows:

| Budgeted vs. Actual Receipts | | | |
|------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$1,503,446 | \$1,567,465 | \$64,019 |
| Special Revenue | 3,155,782 | 3,175,478 | \$19,696 |
| Debt Service | 31,542 | 45,864 | \$14,322 |
| Capital Projects | 412,585 | 477,296 | \$64,711 |
| Fiduciary | 9 | 10 | \$1 |
| Total | \$5,103,364 | \$5,266,113 | \$162,749 |

| Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|--------------------------------------------------|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$1,548,497 | \$1,033,153 | \$515,344 |
| Special Revenue | 3,470,593 | 3,131,163 | 339,430 |
| Debt Service | 79 | 79 | 0 |
| Capital Projects | 1,786,260 | 1,790,664 | (4,404) |
| Fiduciary | 26 | 0 | 26 |
| Total | \$6,805,455 | \$5,955,059 | \$850,396 |

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts.

**SUGARCREEK TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

5. PROPERTY TAX (Continued)

Payments are due to the County by December 31. If the property owner elects to make semiannual payment, 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.

6. DEBT

Debt outstanding at December 31, 2001 was as follows:

| | Principal | Interest Rate |
|---------------------------------------|-------------|---------------|
| Fire Engine Lease Purchase | \$129,711 | 5.27% |
| Street Sweeper Lease Purchase | 18,806 | 5.17% |
| Public Safety Building Lease Purchase | 943,239 | 7.75% |
| Total | \$1,091,756 | |

The fire engine lease was entered into on 7/15/98 and has semi-annual payments of \$18,167 with the final payment scheduled for 11/20/05.

The street sweeper lease was entered into on 7/15/98 and has semi-annual payments of \$9,764 with the final payment scheduled for 11/20/02.

The public safety building lease was entered into in 1994. Final payment is due in 2009 which will require a balloon payment of \$477,274. The lease agreement for the public safety building lease required an escrow trust account to be established. This account is further described in Note 9.

The Township has classified all of these leases as lease purchase agreements as the agreements revert ownership to the Township upon final payments of the obligations.

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

| | Principal | Interest |
|--------------------------|-------------|-----------|
| Year ending December 31: | | |
| 2002 | \$92,499 | \$78,876 |
| 2003 | 78,793 | 72,053 |
| 2004 | 84,262 | 67,584 |
| 2005 | 90,124 | 61,722 |
| 2006 | 59,603 | 55,908 |
| 2007 – 2009 | 686,475 | 137,330 |
| Total | \$1,091,756 | \$473,473 |

**SUGARCREEK TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

7. RETIREMENT SYSTEMS

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001, members of OP&F participants contributed 10% of their wages. The Township contributed an amount equal to 24% of their wages to OP&F. PERS members contributed 8.5% (except for full time police which are 10.10% and all other law enforcement which are 9%) of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001. The Township has paid all contributions required through December 31, 2001.

8. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The Township also provides health insurance, dental and vision coverage to full-time employees through a private carrier.

9. DEBT SERVICE TRUST FUNDS

The Public Safety Building Lease Purchase Escrow Agreement required the Township to establish a debt service fund to be maintained by a custodian bank. The Township has established this fund. At December 31, 2001, the custodian held \$3,470 in cash and \$118,881 in investments. These funds represent assets of the Township. These assets, and the related receipts and disbursements, are not reflected in the accompanying financial statements.

10. CONTINGENCY

A former Township employee has been indicted regarding a theft of zoning permit fees and Greene County tax distributions belonging to the Township. A finding for recovery has been issued for \$23,227 for checks deposited to the former employee's personal account during 2001. Additional checks were identified from January, 2002 through August, 2002 by the Sugarcreek Township Police Department and Green County Prosecutor's office, which were also deposited in the former employee's personal checking account, and are included in an indictment issued by the Greene County Prosecutor. The final determination of the amount for 2002 has not been determined. The outcome of this proceeding has not been determined as of the date of this report.

**SUGARCREEK TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

11. NONCOMPLIANCE

The Township did not comply with various requirements of the Ohio Revised Code (ORC) regarding destruction of public records (ORC 149.35.1), completeness of official Board of Trustee minutes (ORC 121.22(c)), timely certification of funds (ORC 5705.41(D)), expenditures exceeding appropriations (ORC 5705.41(B)), and approved appropriations posted to the ledgers (ORC 5705.38 and 5705.40).

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OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND
ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Sugarcreek Township
Greene County
26 E. Franklin Street
Bellbrook, Ohio 45305

To the Board of Trustees:

We have audited the accompanying financial statement of Sugarcreek Township, Greene County (the Township) as of and for the year ended December 31, 2001, and have issued our report thereon dated October 10, 2002, in which we noted ongoing litigation regarding the theft of zoning permit fees and county tax distribution receipts. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-40329-001 through 2001-40329-006.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2001-40329-008 through 2001-40329-009.

**Internal Control Over Financial Reporting
(Continued)**

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses.

This report is intended solely for the information and use of the audit committee, management, and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

October 10, 2002

**SUGARCREEK TOWNSHIP
GREENE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001**

| |
|----------------------------------------------------------------------------------------------------------|
| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|----------------------------------------------------------------------------------------------------------|

FINDING NUMBER 2001-40329-001

Non-Compliance Citation - Finding for Recovery

Three revenue checks remitted to the Township from Greene County for gas tax, fines and forfeitures, and local government revenue totaling \$13,336 could not be traced to the Township's accounting records. It was determined that these checks were deposited to the personal account of Kevin Holmes, former zoning inspector for Sugarcreek Township. Additionally, various payments of zoning permit fees were collected by Mr. Holmes, on behalf of the Township, and then deposited directly to his personal bank account. These funds were not recorded in the Township's records and amounted to the following:

| <u>Description</u> | <u>Amount</u> |
|----------------------|-----------------|
| Greene County checks | \$13,336 |
| Zoning permit fees | 9,891 |
| Total | <u>\$23,227</u> |

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally taken from the Township is hereby issued against Kevin Holmes, and American Motorists Insurance Company, jointly and severally, and in favor of Sugarcreek Township, Greene County, in the amount of \$23,227.

Additional payments of zoning permit fees and County tax payments for the Township have been identified by the Greene County Prosecutor as being erroneously deposited to the personal account of Mr. Holmes for the period of January 2002 through August 2002 and are not included in the above amount. Mr. Holmes has been indicted by the Greene County Prosecutor regarding this theft. These funds were not within the current audit period and will be addressed in the audit of 2002.

FINDING NUMBER 2001-40329-002

Non-Compliance Citation – Destruction of Public Records

Ohio Rev. Code § 149.35.1 states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under sections 149.38 to 149.42 of the Ohio Rev. Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred or destroyed unlawfully.

Certain supporting documentation for receipts, including manual receipts, deposit tickets and remittance documentation could not be provided. These documents were removed without authorization per the Township Clerk, and have not been located as of the date of this report.

The Township should develop and implement procedures to provide for the security of all public records.

FINDING NUMBER 2001-40329-003

Non-Compliance Citation – Completeness of Official Minute Records

Ohio Rev. Code § 121.22 (C) requires the meetings of meetings to be promptly prepared, filed, and maintained and open for public inspection. The official minute book did not include the board meetings for May 7, 2001 or September 17, 2001 as of June 2002. Copies of these minutes were subsequently located by the Township. The Township should include all official minutes in the official record book when approved by the Trustees, and be available for public inspection in a timely manner.

FINDING NUMBER 2001-40329-004

Non-Compliance Citation – Timely Certification of Funds

Ohio Rev. Code § 5705.41 (D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriate and is in the treasury or in the process of collection to the appropriate fund free from any previous encumbrance. Further, contracts and orders lacking prior certification shall be considered null and void.

Ohio Rev. Code Section 5705.41 (D) provides an exception to this requirement:

If no certificate is issued at the time the order or contract is entered into, the fiscal officer may later certify that there were funds properly appropriated and in the treasury or in the process of collection and such funds free from previous encumbrance both at the time the contract or order was entered into and at the time of payment. After certifying this, the fiscal officer may proceed to pay for such order or contract. If the amount involved is over \$1,000, the taxing authority must approve of such payment within thirty days of the date of the fiscal officer's certification.

The Township did not properly certify the availability of funds, including the exception above, prior to obligation for \$29,316 or 23.3% of the tested expenditures. The Township should implement procedures to properly certify the availability of funds prior to ordering goods or services to reduce the potential of overspending available funds.

FINDING NUMBER 2001-40329-005

Expenditures Exceeding Appropriations

Ohio Rev. Code § 5705.41(B) requires that no subdivision or taxing unit expend money unless it has been appropriated. The following funds had expenditures in excess of appropriations as of December 31, 2001.

| | <u>Appropriations</u> | <u>Expenditures</u> | <u>Variance</u> |
|----------------------------------------|-----------------------|---------------------|-----------------|
| Police Dispatch (fund 2082) | \$78,659 | \$105,169 | (\$26,510) |
| Fire District (fund 2111) | 113,105 | 162,693 | (49,588) |
| Fire Dispatch (fund 2113) | 93,645 | 110,513 | (16,868) |
| Zoning (fund 2181) | 19,085 | 20,781 | (1,696) |
| Emergency Medical Services (fund 2281) | 6,626 | 18,147 | (11,521) |
| Service Equipment (fund 4904) | 512,641 | 517,045 | (4,404) |

The Township should monitor appropriations and budgetary expenditures throughout the year and make budgetary amendments as needed to prevent overspending and to meet the requirements of this section of code. Implementing these procedures will provide the Township with more accurate budgetary information for improved financial decision making.

FINDING NUMBER 2001-40329-006

Budgetary Accounting System Agreement to Board Approval

Ohio Rev. Code § 5705.38 and 5705.40 requires the Board of Trustees, as the taxing authority, to approve, and therefore amend, appropriations. The Township's permanent appropriations, as presented on the general ledger accounting system, did not always agree to the Board approved appropriations measure. Appropriations approved by the Board of Trustees are the official budgets of the Township and should agree to the appropriations listed in the Township's accounting system. As of December 31, 2001, the following variances were noted between the budgetary accounting system and the Board approved appropriation measurers:

| <u>Fund</u> | <u>Accounting System</u> | <u>Approved Appropriations</u> | <u>Variance</u> |
|----------------|--------------------------|--------------------------------|-----------------|
| General | \$2,595,744 | \$1,548,497 | \$1,047,247 |
| Fire | 173,803 | 113,105 | 60,698 |
| Station 1 Fire | 934,676 | 793,513 | 141,163 |
| Dispatch Fire | 137,480 | 93,645 | 43,835 |

Other less significant variances were noted at the fund level and the legal level of control. The accompanying notes to the financial statements reflect the approved appropriations.

Accurate budgetary information is necessary for management to make sound financial decisions. The Township should implement procedures to provide for the accurate posting of approved appropriation measures into the Township's budgetary accounting system, including periodic review of the records by someone other than the preparer as a part of the basic system of internal controls.

FINDING NUMBER 2001-40329-007

Timely Posting of Transfers

The Board of Trustees approved a transfer of \$25,000 from the General Fund to the Police Building Addition Capital Project Fund on December 3, 2001. However, the Clerk did not post the transaction to the accounting records until February 28, 2002. The accompanying financial statements have been adjusted to reflect this transfer.

The Township should develop and implement procedures to provide for the timely posting of all approved transfer activity, and implement procedures to include periodic review of financial records by someone other than the preparer.

FINDING NUMBER 2001-40329-008

Endorsement of Township Checks

The Township utilized a rubber stamp to endorse all incoming checks; however, this endorsement indicated "for deposit only" without including the Township's name or account number. This language alone permitted Township receipts to be diverted to private accounts. The Township's endorsement should include the Township's name and applicable bank account number and be affixed to all checks immediately upon receipt. This should reduce the risk that checks could be deposited to improper accounts.

FINDING NUMBER 2001-40329-009

Receipt Controls Procedures

The zoning permits utilized by the Township were not pre-numbered prior to issuance by the Zoning Inspector. Additionally, the process of issuing zoning permits and collecting fees was under the control of one employee. This process was not reviewed by independent personnel, and provided a means for diversion of Township resources. Further, mail delivered to the Township was not properly secured, which also allowed for diversion of resources. The Township should review all collection procedures and develop and adopt policies regarding safeguarding revenues and providing adequate segregation of duties.

**SUGARCREEK TOWNSHIP
GREENE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2000 AND 1999**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i> |
|----------------|----------------------------------------------------------------------------------------------|------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2000-40329-001 | The improper establishment of funds. | Yes | |
| 2000-40329-002 | Appropriations exceeded the certificate of estimated resources. | Yes | |
| 2000-40329-003 | The General Ledger did not agree to the Board approved appropriations. | No | Not Corrected- Board approved appropriations for 2001 did not agree to the appropriated amount posted to the system. Repeated as finding 2001-40329-006 |
| 2000-40329-004 | Actual expenditures and outstanding encumbrances in excess of appropriations. | No | Not Corrected- Expenditures exceeded appropriations for several funds at December 31, 2001. Repeated as finding 2001-40329-005. |
| 2000-40329-005 | Did not reconcile bank accounts properly. | Yes | |
| 2000-40329-006 | Salary for a police officer was paid from the Road & Bridge fund instead of the Police Fund. | Yes | |
| 2000-40329-007 | The improper posting of interest. | Yes | |
| 2000-40329-008 | Recommendation for an audit committee. | Yes | |
| 2000-40329-009 | The bonding insurance was not commensurate with the maximum amount of Township funds. | No | Partially Corrected. The Township increased bonding limits, but should consider additional increases. |



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

SUGARCREEK TOWNSHIP

GREENE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 3, 2002**