



**SUGARCREEK TOWNSHIP  
TUSCARAWAS COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2007-2006**



**Mary Taylor, CPA**  
Auditor of State



**SUGARCREEK TOWNSHIP  
TUSCARAWAS COUNTY**

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**Mary Taylor, CPA**  
Auditor of State

Sugarcreek Township  
Tuscarawas County  
225 Rhine Street  
Sugarcreek, Ohio 44681

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

November 20, 2008

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Sugarcreek Township  
Tuscarawas County  
225 Rhine Street  
Sugarcreek, Ohio 44681

To the Board of Trustees:

We have audited the accompanying financial statements of Sugarcreek Township, Tuscarawas County, (the Township) as of and for the years ended December 31, 2007 and 2006. 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, 2007 and 2006 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, 2007 and 2006, 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 and reserves for encumbrances of Sugarcreek Township, Tuscarawas County, as of December 31, 2007 and 2006, 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 November 20, 2008, 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

November 20, 2008



**SUGARCREEK TOWNSHIP  
TUSCARAWAS 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>Debt Service</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$68,192	\$175,217	\$23,565	\$266,974
Licenses, Permits, and Fees		7,450		7,450
Intergovernmental	68,181	118,527	206	186,914
Earnings on Investments	2,587	259		2,846
Miscellaneous	1,836	14,854		16,690
Total Cash Receipts	<u>140,796</u>	<u>316,307</u>	<u>23,771</u>	<u>480,874</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	127,839	1,228		129,067
Public Safety		93,625		93,625
Public Works	16,240	182,480		198,720
Health		20,099		20,099
Debt Service:				
Redemption of Principal			20,288	20,288
Interest and Other Fiscal Charges			3,483	3,483
Total Cash Disbursements	<u>144,079</u>	<u>297,432</u>	<u>23,771</u>	<u>465,282</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(3,283)</u>	<u>18,875</u>	<u>0</u>	<u>15,592</u>
Fund Cash Balances, January 1	<u>14,235</u>	<u>125,810</u>	<u>0</u>	<u>140,045</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$10,952</u></b>	<b><u>\$144,685</u></b>	<b><u>\$0</u></b>	<b><u>\$155,637</u></b>
Reserve for Encumbrances, December 31	<u>\$895</u>	<u>\$662</u>	<u>\$0</u>	<u>\$1,557</u>

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

**SUGARCREEK TOWNSHIP  
TUSCARAWAS COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Non-Expendable Trust</u>
<b>Non-Operating Cash Receipts:</b>	
Earnings on Investments	42
Fund Cash Balances, January 1	<u>2,452</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$2,494</u></u>

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

**SUGARCREEK TOWNSHIP  
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$78,641	\$179,000	\$23,537	\$281,178
Licenses, Permits, and Fees		7,900		7,900
Intergovernmental	49,953	108,871	234	159,058
Earnings on Investments	1,744	167		1,911
Miscellaneous	930	25,237		26,167
Total Cash Receipts	<u>131,268</u>	<u>321,175</u>	<u>23,771</u>	<u>476,214</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	168,713	1,089		169,802
Public Safety		33,210		33,210
Public Works		235,981		235,981
Health		27,727		27,727
Capital Outlay	5,000	21,555	85,870	112,425
Debt Service:				
Redemption of Principal			21,653	21,653
Interest and Other Fiscal Charges			2,118	2,118
Total Cash Disbursements	<u>173,713</u>	<u>319,562</u>	<u>109,641</u>	<u>602,916</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(42,445)</u>	<u>1,613</u>	<u>(85,870)</u>	<u>(126,702)</u>
<b>Other Financing Receipts:</b>				
Debt Proceeds			85,870	85,870
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements	(42,445)	1,613	0	(40,832)
Fund Cash Balances, January 1	<u>56,680</u>	<u>124,197</u>	<u>0</u>	<u>180,877</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$14,235</u></b>	<b><u>\$125,810</u></b>	<b><u>\$0</u></b>	<b><u>\$140,045</u></b>
Reserve for Encumbrances, December 31	<u>\$1,188</u>	<u>\$101</u>	<u>\$0</u>	<u>\$1,289</u>

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

**SUGARCREEK TOWNSHIP  
TUSCARAWAS COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Non-Expendable Trust</u>
<b>Non-Operating Cash Receipts:</b>	
Earnings on Investments	\$7
Fund Cash Balances, January 1	<u>2,445</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$2,452</u></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, 2007 AND 2006**

**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 the 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 Volunteer Fire Department to provide fire services and the Swiss Valley Joint Ambulance District to provide ambulance services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 8 to the financial statements provides additional information for this entity.

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. Cash**

The Township maintains all cash in an interest bearing checking account.

**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.

**SUGARCREEK TOWNSHIP  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

These funds account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Motor Vehicle License Tax Fund – This fund receives motor vehicle license tax money for constructing, maintaining, and repairing Township roads.

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

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

Cemetery Fund – This fund is used to account for operating and maintaining Township cemeteries.

Fire and Ambulance Levy Fund – This fund is used to account for tax money levied to provide fire and ambulance services to residents of the Township.

**3. Debt Service Fund**

This fund accounts for resources the Township accumulates to pay debt.

**4. Fiduciary Funds**

Fiduciary funds include trust funds. Trust funds account for assets held under a legally binding trust agreement. The Township maintains two cemetery bequest funds.

**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  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(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 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 2007 and 2006 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.

**2. Equity in Pooled Cash**

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

	<u>2007</u>	<u>2006</u>
Demand deposits	\$158,131	\$142,497

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township.

**SUGARCREEK TOWNSHIP  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$148,520	\$140,796	(\$7,724)
Special Revenue	309,375	316,307	6,932
Debt Service	0	23,771	23,771
Fiduciary	35	42	7
Total	\$457,930	\$480,916	\$22,986

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$162,497	\$144,974	\$17,523
Special Revenue	434,255	298,094	136,161
Debt Service	0	23,771	(23,771)
Fiduciary	1,487	0	1,487
Total	\$598,239	\$466,839	\$131,400

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$132,754	\$131,268	(\$1,486)
Special Revenue	304,250	321,175	16,925
Debt Service	23,771	109,641	85,870
Fiduciary	5	7	2
Total	\$460,780	\$562,091	\$101,311

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$189,433	\$174,901	\$14,532
Special Revenue	428,445	319,663	108,782
Debt Service	0	109,641	(109,641)
Fiduciary	1,450	0	1,450
Total	\$619,328	\$604,205	\$15,123



**SUGARCREEK TOWNSHIP  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**4. Noncompliance**

Contrary to the Ohio Rev. Code Section 5705.40, the Fiscal Officer amended appropriations at the legal level of control without Board approval. The notes to the financial statements have been adjusted to exclude appropriation amendments not specifically approved by the Board at the legal level of control during 2007 and 2006.

Contrary to the Ohio Rev. Code Section 511.13, a Township Trustee and Fiscal Officer each had an interest in contracts of the Board during 2007 and 2006.

Contrary to the Ohio Rev. Code Section 5705.41(B), expenditures exceeded appropriations at the legal level of control as of December 31, 2007 and 2006.

Contrary to the Ohio Rev. Code Section 5705.41(D), expenditures were not always certified as to the availability of funds by the Township Fiscal Officer prior to incurring the obligations.

Contrary to the Ohio Attorney General Opinion 2007-043, the Township made donations of \$30,445 to the Swiss Valley Joint Ambulance District and \$29,840 to the Village of Sugarcreek Volunteer Fire Department during 2007.

**5. 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.

**SUGARCREEK TOWNSHIP  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**6. Debt**

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
Promissory Note	\$43,930	5.35%

During 2006, the Township issued promissory notes to finance the purchase of a new truck and plow equipment for road maintenance. The original amount of the debt was \$85,870.

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

	Promissory Note
Year ending December 31:	
2008	\$23,771
2009	23,771
Total	\$47,542

**7. Retirement System**

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5% and 9%, respectively, of their gross salaries and the Township contributed an amount equaling 13.85% and 13.7%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

**8. 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.

**SUGARCREEK TOWNSHIP  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**8. Risk Management (Continued)**

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 provides 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.

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:

	<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>

**SUGARCREEK TOWNSHIP  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**8. Risk Management (Continued)**

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 \$3,967. 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.

**Contributions to OTARMA**

2005	\$5,182
2006	\$6,158
2007	\$4,220

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary 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.

**9. Related Party Transactions**

Township Trustee, Tyrone Hershberger, was employed by Kimble Clay & Limestone until April 2007. During 2007 and 2006, the Township paid Kimble Clay & Limestone \$14,948 and \$30,251, respectively.

Township Fiscal Officer, Stanley Gerber, was employed by Swiss Valley Oil Company. During 2007 and 2006, the Township paid Swiss Valley Oil Company \$16,685 and \$15,859, respectively.



# 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*

Sugarcreek Township  
Tuscarawas County  
225 Rhine Street  
Sugarcreek, Ohio 44681

To the Township Board of Trustees:

We have audited the financial statements of Sugarcreek Township, Tuscarawas County, (the Township) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated November 20, 2008, 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 the following deficiencies in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2007-001 through 2007-004.

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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we believe finding numbers 2007-003 and 2007-004 are also material weaknesses.

We also noted certain matters that we reported to the Township's management in a separate letter dated November 20, 2008.

#### **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 or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2007-004 through 2007-008.

We also noted certain noncompliance or other matters that we reported to the Township's management in a separate letter dated November 20, 2008.

The Township's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the Township's response, and accordingly, we express no opinion on it.

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



**Mary Taylor, CPA**  
Auditor of State

November 20, 2008

**SUGARCREEK TOWNSHIP  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-001**

**Significant Deficiency**

**Classification of Receipts and Expenditures**

During 2007, the following misclassifications were noted:

- Certain public utility reimbursement, gas tax and excess kilowatt distribution receipts from the County Auditor in the amount of \$1,109 in the General Fund and \$1,213 in the Special Revenue Fund were originally classified as Miscellaneous rather than Intergovernmental.
- Certain excess kilowatt distribution receipts from the County Auditor in the amount of \$212 in the General Fund were originally classified as Taxes rather than Intergovernmental.
- Proceeds from the sale of used equipment in the amount of \$162 in the Special Revenue Fund were originally classified as Miscellaneous rather than Sale of Assets.

During 2006, the following misclassifications and errors were noted:

- Certain gas tax receipts from the County Auditor in the amount of \$304 in the General Fund were originally classified as Miscellaneous rather than Intergovernmental.
- Certain homestead and rollback and public utility reimbursement receipts from the County Auditor in the amount of \$2,934 in the General Fund and \$9,835 in the Special Revenue Fund were originally classified as Taxes rather than Intergovernmental.
- Proceeds from the sale of a dump truck in the amount of \$3,915 in the Special Revenue Fund were originally classified as Miscellaneous rather than Sale of Assets.
- Debt proceeds and the related expenditures for the purchase of a new truck in the amount of \$85,870 in the Debt Service Fund were not originally recorded as Debt Proceeds and Capital Outlay expenditures.

As a result, the above receipt and expenditure line items were initially overstated/understated. The financial statements have been adjusted for material items.

The Township Fiscal Officer and the Board of Trustees should regularly monitor the classification of all receipts and expenditures to help ensure Township receipts and expenditures are accurately recorded in accordance with the Ohio Township Handbook.

## FINDING NUMBER 2007-002

### Significant Deficiency

#### Payroll

The following weaknesses were noted during payroll expenditure testing:

- During 2007 and 2006, several footing and cross-footing errors were made ranging from \$5 to \$911 on the manual payroll registers.
- During 2006, pay period ending February 17, 2006 was not posted to the manual payroll register for two employees in the amounts of \$877 and \$911, along with deductions. Therefore, the W-2 forms did not reconcile to total gross wages earned by the respective employees.
- During 2007, there were two instances where employees were overcompensated due to an error in posting to the manual payroll registers in the amounts of \$10 and \$19.
- During 2006, there were instances where employees were overcompensated and undercompensated due to errors in posting to the manual payroll registers in the amounts of \$7 and \$13.50, respectively.

As a result, amounts paid to certain employees did not always reconcile to the actual amount earned. In addition, amounts reported on certain employees W-2 forms did not reconcile to actual wages earned.

To help ensure a more accurate reflection of all Township's payroll activity is reported, the Township Fiscal Officer should:

- Re-perform footing and cross-footing on the manual payroll registers. This will help ensure the accuracy of earnings and withholdings reported and paid.
- Reconcile all manual payroll registers to the payment register and W-2 forms. This will help ensure all employees are paid the accurate amount of wages according to the manual payroll registers and the respective W-2 form reflects the same wages. Corrected W-2 forms should be submitted to the Internal Revenue Service.

This may help ensure a more accurate reflection of all of the Township's payroll activity is reported.

This matter will be referred to the Internal Revenue Service.



### FINDING NUMBER 2007-003

#### Material Weakness

##### Estimated Receipts

During 2007 and 2006, Estimated Receipts were not recorded on the Comparison of Budget and Actual Receipts report based on the Original Certificate of Estimated Resources approved by the County Budget Commission. This could result in budgetary noncompliance and limits the ability of the Board of Trustees to monitor the Township's approved budget and actual amounts throughout the fiscal year. In addition, the risk that the Township could overspend its total available estimated resources is increased. Notes to the financial statements have been adjusted to reflect estimated receipts approved by the County Budget Commission.

The Township Fiscal Officer should reconcile the Certificate of Estimated Resources to the Comparison of Budget and Actual Receipts report for completeness and accuracy. This will help reduce the risk of budgetary noncompliance and overspending of available resources.

### FINDING NUMBER 2007-004

#### Material Weakness and Noncompliance Citation

**Ohio Rev. Code Section 5705.40** provides any appropriation measure may be amended or supplemented provided that such amendment or supplement complies with all provisions of law governing the tax authority in making the original appropriation. Transfers may be made by resolution or ordinance from one appropriation item to another. *Burkholder v. Lauber* (1965), 6 Ohio Misc. 152, indicates that a local government's governing board is prohibited from delegating those discretionary duties statutorily assigned to it. Following such reasoning, a governing board is prohibited from delegating the ability to amend appropriations as provided for in Ohio Rev. Code Section 5705.40.

During 2007, the Fiscal Officer amended appropriations at the legal level of control without Board approval. The notes to the financial statements have been adjusted to exclude appropriation amendments not specifically approved by the Board at the legal level of control by amounts ranging from \$500 to \$17,009 within the General Fund, \$500 to \$1,000 within the Special Revenue Fund, and \$3,483 to \$20,288 within the Debt Service Fund. During 2006, the Fiscal Officer amended appropriations at the legal level of control without Board approval. The notes to the financial statements have been adjusted to exclude appropriation amendments not specifically approved by the Board at the legal level of control by amounts ranging from \$200 to \$21,500 within the General Fund, \$3,500 to \$8,000 within the Special Revenue Fund, and \$3,483 to \$20,288 within the Debt Service Fund. The Board of Trustees should specifically approve all amendments to appropriations at the legal level of control.

#### FINDING NUMBER 2007-005

##### Noncompliance Citation

**Ohio Rev. Code Section 511.13** generally prohibits a member of the board of township trustees or an officer or employee of the township from being interested in any contract of the board. **2008 Op. Att'y Gen. No. 2008-002** provides that a trustee, officer, or employee of a township who is employed by an entity with which the township enters into a contract has an interest in the contract for purposes of Ohio Rev. Code Section 511.13, regardless of whether it can be demonstrated that the trustee, officer, or employee has a direct pecuniary or personal interest in the contract.

Township Trustee, Tyrone Hershberger, was employed by Kimble Clay & Limestone until April 2007. During 2007 and 2006, the Township paid Kimble Clay & Limestone \$14,948 and \$30,251, respectively. Township Fiscal Officer, Stanley Gerber, was employed by Swiss Valley Oil Company. During 2007 and 2006, the Township paid Swiss Valley Oil Company \$16,685 and \$15,859, respectively. The Township should prohibit the trustees and officers from having an interest in contracts of the Board.

#### FINDING NUMBER 2007-006

##### Noncompliance Citation

**Ohio Rev. Code Section 5705.41(B)** requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

As of December 31, 2007, expenditures exceeded appropriations at the legal level of control by amounts ranging from \$343 to \$16,240 within the General Fund, \$48 to \$877 within the Special Revenue Fund, and \$3,483 and \$20,288 within the Debt Service Fund. As of December 31, 2006, expenditures exceeded appropriations at the legal level of control by amounts ranging from \$35 to \$21,408 within the General Fund, \$3,110 to \$7,557 within the Special Revenue Fund, and \$2,118 to \$85,870 within the Debt Service Fund. The Township Fiscal Officer and Board of Trustees should frequently compare actual expenditures plus outstanding encumbrances to appropriations at the legal level of control to avoid overspending.

## FINDING NUMBER 2007-007

### Noncompliance Citation

**Ohio Rev. Code Section 5705.41(D)** requires no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate** – If the fiscal officer can certify that both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During fiscal years 2007 and 2006, 42% and 48%, respectively, of expenditures tested were not certified as to the availability of funds by the Township Fiscal Officer prior to incurring the obligations. The Township Fiscal Officer should inform the Board of Trustees the requirements of Ohio Rev. Code Section 5705.41(D). The Township should implement the use of so called Then and Now Certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41. However, such certifications should only be used for recurring and reasonably predictable matters or emergency matters which arise from time to time.

**FINDING NUMBER 2007-007  
(Continued)**

**Noncompliance Citation (Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, the Fiscal Officer should certify the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

The Township should certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**Officials' Response:** We did not receive a response from Officials to the findings 2007-001 through 2007-007 listed above.

**FINDING NUMBER 2007-008**

**Noncompliance Citation**

On November 2, 2004, the citizens of Sugarcreek Township (the Township) passed a tax levy in accordance with Ohio Revised Code Section 5705.19(I), for the purpose of fire and ambulance protection. The Township had a special Fire and Ambulance fund established for the revenues derived from this tax levy as required by Ohio Revised Code Section 5705.09. The Township contracts with the Village of Sugarcreek and the Swiss Valley Joint Ambulance District (the Ambulance District) to receive fire services from the Village of Sugarcreek Fire Department (the Fire Department) and emergency paramedic and ambulance services from the Ambulance District.

On May 1, 2007, the Township Board of Trustees passed a motion to donate \$29,840 to the Fire Department and \$30,445 to the Ambulance District. The donations were paid by the Township on June 5, 2007 from the Township's Fire and Ambulance fund. **2007 Op. Att'y Gen. No. 2007-043** states that "boards of township trustees may exercise only the powers expressly conferred by statute and the powers that must necessarily be implied from those express powers to enable the trustees to perform the duties imposed upon them". The opinion goes on to state that "public funds may be expended only by clear authority of law and in accordance with applicable statutes", and that "a board of township trustees may make a donation of public funds only pursuant to clear statutory authority and with funds that are available for that purpose." Furthermore, the donations to the Fire Department and Ambulance District were in addition to the contract amount paid to each by the Township in 2007. Therefore, the Board of Trustees did not have proper legal authority to make a donation to the Fire Department and the Ambulance District, nor were the payments made pursuant to the terms and conditions of the contracts.

**Officials' Response:** On December 30, 2008, the Township amended its fire contract with the Fire Department to include payment of additional monies to purchase fire equipment. On December 30, 2008, the Township amended its ambulance contract with the Ambulance District to include payment of additional monies to purchase emergency medical services equipment. The Village of Sugarcreek approved the amended contract on December 29, 2008. The Swiss Valley Joint Ambulance District approved the amended contract on December 29, 2008.

**SUGARCREEK TOWNSHIP  
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-001	Revenue Classification – During 2005 and 2004, several receipts were misclassified.	No	Not Corrected – Refer to Finding Number 2007-001
2005-002	Posting of Transfers – The Township Clerk transferred \$30,957 from the Miscellaneous Special Revenue Fund to the Road and Bridge Fund; however, the transfer was posted as a miscellaneous receipt rather than a transfer in.	Yes	Finding No Longer Valid
2005-003	Payroll Records – During testing of the Township’s payroll records, errors were noted.	No	Not Corrected – Refer to Finding Number 2007-002
2005-004	Ohio Rev. Code Section 5705.41(D) – During fiscal year 2005 and 2004, 41% and 50%, respectively, of expenditures tested were not certified as to the availability of funds prior to incurring the obligations.	No	Not Corrected – Refer to Finding Number 2007-007
2005-005	Ohio Rev. Code Section 5705.39 – During 2005, total appropriations exceeded total estimated resources at year end in the Miscellaneous Special Revenue Fund.	Yes	Finding No Longer Valid
2005-006	Ohio Rev. Code Section 102.03(D) – Current Trustee, Tyrone Hershberger, is employed by Kimble Clay & Limestone, who the Township paid during 2005 and 2004.	No	Not Corrected – Refer to Finding Number 2007-005

**SUGARCREEK TOWNSHIP  
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-007	Ohio Rev. Code Sections 145.47 and 145.48 – During 2005 and 2004, the Township remitted incorrect amounts to OPERS.	Yes	Finding No Longer Valid



**Mary Taylor, CPA**  
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  
JANUARY 13, 2009**