



Dave Yost • Auditor of State



**SUGARCREEK TOWNSHIP  
TUSCARAWAS COUNTY**

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# Dave Yost • 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.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

May 4, 2012

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# Dave Yost • 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, 2011 and 2010. 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 Government 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(A) mandates 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, 2011 and 2010 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 2011 and 2010, 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 as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of Sugarcreek Township, Tuscarawas County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2012, 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.

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

May 4, 2012



**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, 2011**

|   | <u>Governmental Fund Types</u> |                            |                  | Totals<br>(Memorandum<br>Only) |
|---|--------------------------------|----------------------------|------------------|--------------------------------|
|   | <u>General</u>                 | <u>Special<br/>Revenue</u> | <u>Permanent</u> |                                |
| <b>Cash Receipts</b>                    |                                |                            |                  |                                |
| Property and Other Local Taxes          | \$84,944                       | \$211,916                  |                  | \$296,860                      |
| Licenses, Permits and Fees              | 0                              | 10,925                     |                  | 10,925                         |
| Intergovernmental                       | 53,266                         | 120,521                    |                  | 173,787                        |
| Special Assessments                     | 3,338                          | 0                          |                  | 3,338                          |
| Earnings on Investments                 | 479                            | 39                         | \$3              | 521                            |
| Miscellaneous                           | 2,840                          | 19,016                     |                  | 21,856                         |
| <i>Total Cash Receipts</i>              | <u>144,867</u>                 | <u>362,417</u>             | <u>3</u>         | <u>507,287</u>                 |
| <b>Cash Disbursements</b>               |                                |                            |                  |                                |
| Current:                                |                                |                            |                  |                                |
| General Government                      | 171,200                        | 5,250                      |                  | 176,450                        |
| Public Safety                           | 0                              | 40,322                     |                  | 40,322                         |
| Public Works                            | 0                              | 209,791                    |                  | 209,791                        |
| Health                                  | 0                              | 25,480                     |                  | 25,480                         |
| Capital Outlay                          | 10,000                         | 19,419                     |                  | 29,419                         |
| <i>Total Cash Disbursements</i>         | <u>181,200</u>                 | <u>300,262</u>             | <u>0</u>         | <u>481,462</u>                 |
| <i>Net Change in Fund Cash Balances</i> | (36,333)                       | 62,155                     | 3                | 25,825                         |
| <i>Fund Cash Balances, January 1</i>    | <u>47,750</u>                  | <u>254,817</u>             | <u>2,531</u>     | <u>305,098</u>                 |
| <b>Fund Cash Balances, December 31</b>  |                                |                            |                  |                                |
| Nonspendable                            | 0                              | 0                          | 2,211            | 2,211                          |
| Restricted                              | 0                              | 316,972                    | 323              | 317,295                        |
| Unassigned                              | 11,417                         | 0                          | 0                | 11,417                         |
| <i>Fund Cash Balances, December 31</i>  | <u>\$11,417</u>                | <u>\$316,972</u>           | <u>\$2,534</u>   | <u>\$330,923</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, 2010**

|  | <u>Governmental Fund Types</u> |                            |                  | Totals<br>(Memorandum<br>Only) |
|--|--------------------------------|----------------------------|------------------|--------------------------------|
|  | <u>General</u>                 | <u>Special<br/>Revenue</u> | <u>Permanent</u> |                                |
| <b>Cash Receipts</b>                         |                                |                            |                  |                                |
| Property and Other Local Taxes               | \$87,738                       | \$206,700                  |                  | \$294,438                      |
| Licenses, Permits and Fees                   | 0                              | 8,550                      |                  | 8,550                          |
| Intergovernmental                            | 49,634                         | 123,034                    |                  | 172,668                        |
| Special Assessments                          | 1,649                          | 0                          |                  | 1,649                          |
| Earnings on Investments                      | 405                            | 25                         | \$4              | 434                            |
| Miscellaneous                                | 132                            | 10,808                     |                  | 10,940                         |
| <i>Total Cash Receipts</i>                   | <u>139,558</u>                 | <u>349,117</u>             | <u>4</u>         | <u>488,679</u>                 |
| <b>Cash Disbursements</b>                    |                                |                            |                  |                                |
| Current:                                     |                                |                            |                  |                                |
| General Government                           | 150,226                        | 8,951                      |                  | 159,177                        |
| Public Safety                                | 0                              | 39,630                     |                  | 39,630                         |
| Public Works                                 | 0                              | 207,956                    |                  | 207,956                        |
| Health                                       | 0                              | 27,366                     |                  | 27,366                         |
| <i>Total Cash Disbursements</i>              | <u>150,226</u>                 | <u>283,903</u>             | <u>0</u>         | <u>434,129</u>                 |
| <i>Net Change in Fund Cash Balances</i>      | (10,668)                       | 65,214                     | 4                | 54,550                         |
| <i>Fund Cash Balances, January 1</i>         | <u>58,418</u>                  | <u>189,603</u>             | <u>2,527</u>     | <u>250,548</u>                 |
| <i>Fund Cash Balances, December 31</i>       | <u>\$47,750</u>                | <u>\$254,817</u>           | <u>\$2,531</u>   | <u>\$305,098</u>               |
| <i>Reserve for Encumbrances, December 31</i> | <u>\$2,005</u>                 | <u>\$2,103</u>             | <u>\$0</u>       | <u>\$4,108</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, 2011 AND 2010**

**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 Swiss Valley Joint Ambulance District Emergency to provide ambulance services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 6 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. Deposits**

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.

**2. Special Revenue Funds**

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

**SUGARCREEK TOWNSHIP  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

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

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

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. Permanent Funds**

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant permanent fund:

Cemetery Endowment 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 cemetery.

**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.

**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.

**SUGARCREEK TOWNSHIP  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

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

**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 2011 and 2010 budgetary activity appears in Note 3.

**F. Fund Balance**

For December 31, 2011, 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. Committed**

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. 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.

**5. 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, 2011 AND 2010  
(Continued)**

**1. Summary of Significant Accounting Policies (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 and Investments**

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

|                 |           |           |
|-----------------|-----------|-----------|
|                 | 2011      | 2010      |
| Demand deposits | \$330,923 | \$305,098 |

**Deposits:** Deposits are insured by the Federal Depository 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, 2011 and 2010 follows:

| 2011 Budgeted vs. Actual Receipts |                      |                    |          |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance |
| General                           | \$140,317            | \$144,867          | \$4,550  |
| Special Revenue                   | 327,045              | 362,417            | 35,372   |
| Permanent                         | 7                    | 3                  | (4)      |
| Total                             | \$467,369            | \$507,287          | \$39,918 |

**SUGARCREEK TOWNSHIP  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

2011 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type       | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance         |
|-----------------|----------------------------|---------------------------|------------------|
| General         | \$197,394                  | \$181,838                 | \$15,556         |
| Special Revenue | 564,446                    | 301,539                   | 262,907          |
| Permanent       | 1,538                      | 0                         | 1,538            |
| Total           | <u>\$763,378</u>           | <u>\$483,377</u>          | <u>\$280,001</u> |

2010 Budgeted vs. Actual Receipts

| Fund Type       | Budgeted<br>Receipts | Actual<br>Receipts | Variance        |
|-----------------|----------------------|--------------------|-----------------|
| General         | \$130,143            | \$139,558          | \$9,415         |
| Special Revenue | 323,675              | 349,117            | 25,442          |
| Permanent       | 21                   | 4                  | (17)            |
| Total           | <u>\$453,839</u>     | <u>\$488,679</u>   | <u>\$34,840</u> |

2010 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type       | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance         |
|-----------------|----------------------------|---------------------------|------------------|
| General         | \$187,918                  | \$152,231                 | \$35,687         |
| Special Revenue | 512,396                    | 286,006                   | 226,390          |
| Permanent       | 1,547                      | 0                         | 1,547            |
| Total           | <u>\$701,861</u>           | <u>\$438,237</u>          | <u>\$263,624</u> |

**4. Property Tax**

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

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

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

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

**SUGARCREEK TOWNSHIP  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**5. Retirement Systems**

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 this plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, 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, 2011.

**6. Risk Management**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the latest information available):

|             | <u>2010</u>         | <u>2009</u>         |
|-------------|---------------------|---------------------|
| Assets      | \$35,855,252        | \$38,982,088        |
| Liabilities | (10,664,724)        | (12,880,766)        |
| Net Assets  | <u>\$25,190,528</u> | <u>\$26,101,322</u> |



**SUGARCREEK TOWNSHIP  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**6. Risk Management (Continued)**

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$2,982.

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

| <b><u>Contributions to OTARMA</u></b> |                    |                    |
|---------------------------------------|--------------------|--------------------|
| <b><u>2011</u></b>                    | <b><u>2010</u></b> | <b><u>2009</u></b> |
| 4,030                                 | 3,753              | 3,024              |

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.

**7. Related Party Transactions**

The Township Fiscal Officer is employed by Swiss Valley Oil Company from which the Township acquired gas, diesel fuel, and oil during the audit period. During 2011 and 2010, the Township paid Swiss Valley Oil Company \$20,090 and \$16,748, respectively.

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# Dave Yost • 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 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, 2011 and 2010, and have issued our report thereon dated May 4, 2012, 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 also noted, during 2011, the Township adopted *Governmental Accounting Standards Board* Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatement will not be prevented, or detected and timely corrected.

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 deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2011-001 to be a significant deficiency. 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.

101 Central Plaza South, 700 Chase Tower, Canton, Ohio 44702-1509  
Phone: 330-438-0617 or 800-443-9272 Fax: 330-471-0001

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### **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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated May 4, 2012.

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

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

May 4, 2012

**SUGARCREEK TOWNSHIP  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010**

|   |
|---|
| <b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
|---|

**Financial Reporting**

|                       |          |
|-----------------------|----------|
| <i>Finding Number</i> | 2011-001 |
|-----------------------|----------|

SIGNIFICANT DEFICIENCY

As a result of the audit procedures performed, errors were noted in the financial statements that required audit adjustments.

\* Homestead and rollback revenue (\$15,396 in 2010) was posted entirely to the general fund instead of allocating monies to the special revenue funds accordingly. The general fund revenue was over stated by \$11,179. The Road and Bridge, Cemetery, and Fire and Ambulance Funds were understated by \$6,514; \$1,078; and \$3,587, respectively.

\* Tangible personal property tax receipts (\$4,664 in 2011) in the general fund (\$2,264) and special revenue funds (\$2,400) were posted as intergovernmental revenue rather than property tax revenue.

These reclassifications and fund adjustments have been posted to the financial statements. The Township has adjusted their accounting system for the fund balance adjustment.

The Township Fiscal Officer should review the monthly financial report to help ensure recorded receipts/expenditures are posted to the proper account or line item based on the type of activity. In addition, the Township's annual report should be reviewed for accuracy and consistency with prior reports. This will help provide the Township with fairly presented statements and the ability to analyze financial information in a consistent manner.

**Official's Response:** We did not receive a response from the officials.

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**SUGARCREEK TOWNSHIP  
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31 2011 AND 2010**

| 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> |
|-----------------|--|------------------|--|
| <b>2009-001</b> | <b>Ohio Rev Code Section 5705.40</b> - The Fiscal Officer amended appropriations at the legal level of control without Board approval.   | Yes              | Finding No Longer Valid.   |
| <b>2009-002</b> | <b>Ohio Rev. Code Section 5705.41(B)</b> - Object level expenditures plus outstanding encumbrances exceeded appropriations in the General, Special Revenue and Debt Service Funds. | Yes              | Finding No Longer Valid.   |

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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  
JUNE 7, 2012**