

Sutton Township
Meigs County
Regular Audit
For the Years Ended December 31, 2019 and 2018



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OHIO AUDITOR OF STATE
KEITH FABER



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(800) 282-0370

Board of Trustees
Sutton Township
28180 Apple Grove Dorcas Road
Racine, Ohio 45771

We have reviewed the *Independent Auditor's Report* of the Sutton Township, Meigs County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2018 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Sutton Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

June 18, 2020

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Sutton Township
Meigs County
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For the Years Ended December 31, 2019 and 2018

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Independent Auditor's Report

Board of Trustees
Sutton Township
Meigs County
28180 Apple Grove Dorcas Road
Racine, Ohio 45771

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Sutton Township, Meigs County, (the Township) as of and for the years ended December 31, 2019 and 2018.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 2 of the financial statements, the Township has prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2019 and 2018, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Sutton Township, Meigs County, as of December 31, 2019 and 2018, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

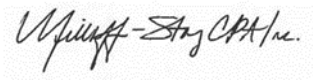
Emphasis of Matter

As discussed in Note 12 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2020, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

Sutton Township
Meigs County
Independent Auditor's Report
Page 3

A handwritten signature in black ink that reads "Millhuff-Stang CPA, Inc." The signature is written in a cursive, flowing style.

Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

May 18, 2020

Sutton Township
Meigs County
*Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances*
All Governmental Fund Types
For the Year Ended December 31, 2019

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Permanent	
Cash Receipts:				
Property and Other Local Taxes	\$52,975	\$93,866	\$0	\$146,841
Charges for Services	0	5,262	0	5,262
Intergovernmental	26,204	136,670	0	162,874
Earnings on Investments	708	122	0	830
Miscellaneous	1,815	2,000	0	3,815
Total Cash Receipts	81,702	237,920	0	319,622
Cash Disbursements:				
Current:				
General Government	44,008	2,264	0	46,272
Public Safety	3,500	49,217	0	52,717
Public Works	4,212	140,769	0	144,981
Health	0	22,464	0	22,464
Human Services	0	10,584	0	10,584
Capital Outlay	6,868	33,340	0	40,208
Total Cash Disbursements	58,588	258,638	0	317,226
Total Cash Receipts Over (Under) Cash Disbursements	23,114	(20,718)	0	2,396
Other Financing Sources (Uses):				
Transfers In	545	8,182	0	8,727
Transfers Out	0	(8,727)	0	(8,727)
Total Other Financing Sources (Uses)	545	(545)	0	0
Special Items	0	5,357	0	5,357
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Uses	23,659	(15,906)	0	7,753
Fund Cash Balances, January 1	(2,538)	92,507	4,383	94,352
Restricted for:				
Cemetery	0	35,601	0	35,601
Road and Bridge Maintenance and Improvements	0	35,537	0	35,537
Committed	0	5,463	0	5,463
Nonspendable	0	0	4,383	4,383
Unassigned	21,121	0	0	21,121
Fund Cash Balances, December 31	\$21,121	\$76,601	\$4,383	\$102,105

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

Sutton Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 - Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Sutton Township, Meigs County, Ohio (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 and fire protection services. The Township contracts with the Village of Syracuse, the Village of Racine, and the Village of Bashan to provide fire protection services.

Jointly Governed Organization and Public Entity Risk Pool

The Township participates in a jointly governed organization and a public entity risk pool. Notes 9 and 11 to the financial statements provide additional information for these entities. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types which are organized on a fund type basis.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Gasoline Tax Fund This fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Road and Bridge Fund This fund accounts for and reports that portion of property tax money for constructing, maintaining, and repairing Township roads and bridges.

Fire Levy Fund This fund receives property tax money for fire protection services for the Township. These monies are sent to the participating fire departments in accordance with the contracts.

Permanent Funds These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant permanent fund:

Cemetery Endowment Fund The cemetery endowment fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted for the general maintenance and upkeep of the Township's cemetery.

Sutton Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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. Appropriations lapse at year-end.

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

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

A summary of 2019 budgetary activity appears in Note 4.

Deposits

The Township accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

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

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.

Fund Balance

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

Sutton Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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.

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.

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.

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.

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.

Note 3 - Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriations in the Motor Vehicle and the Gas Tax Funds at December 31, 2019. Contrary to Ohio law, appropriations exceeded estimated resources in the Fire District Fund at December 31, 2019. Additionally, contrary to Ohio law, the Township failed to properly certify the availability of funds for all expenditures tested.

Note 4 - Budgetary Activity

Budgetary activity for the years ending December 31, 2019 as follows:

Fund Type	<u>2019 Budgeted vs. Actual Receipts</u>		
	Budgeted Receipts	Actual Receipts	Variance
General	\$76,093	\$82,247	\$6,154
Special Revenue	<u>202,086</u>	<u>251,459</u>	<u>49,373</u>
Total	<u>\$278,179</u>	<u>\$333,706</u>	<u>\$55,527</u>

Sutton Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 4 - Budgetary Activity (Continued)

Fund Type	<u>2019 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$60,516	\$58,588	\$1,928
Special Revenue	<u>276,018</u>	<u>267,365</u>	<u>8,653</u>
Total	<u>\$336,534</u>	<u>\$325,953</u>	<u>\$10,581</u>

Note 5 - Deposits

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

	<u>2019</u>
Demand Deposits	\$102,105

Deposits are insured by the Federal Depository Insurance Corporation.

Note 6 - Property Taxes

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

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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent, of their gross salaries and the Township contributed an amount equaling 14 percent, of participants' gross salaries. The Township has paid all contributions required through December 31, 2019.

Social Security

The Township's Fiscal Officer contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participant's gross salary. The Township has paid all contributions required through December 31, 2019.

Sutton Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 8 - Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in Traditional Pension Plan and Combined Plan was 0 percent during the calendar year 2019.

Note 9 - 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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2018, OTARMA retained \$350,000 for casualty claims and \$250,000 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, 2018 (the latest information available):

	<u>2018</u>
Assets	<u>\$33,097,416</u>
Liabilities	<u>7,874,610</u>
Net Position	<u>\$25,222,806</u>

At December 31, 2018, the liabilities above include approximately \$7.9 million of estimated incurred claims payable. The assets above also include approximately \$7.2 million of unpaid claims to be billed to approximately 1,018 member governments in the future, as of December 31, 2018. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2019, the Township's share of these unpaid claims collectible in future years is approximately \$4,000.

Sutton Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 9 - Risk Management (Continued)

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

2019 Contributions to OTARMA
<hr/>
\$8,186

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.

Note 10 - Debt

The Township was not indebted to any financial institution during the year or at year-end.

Note 11 - Jointly Governed Organization

The Syracuse-Racine Regional Sewer District is a regional sewer district organized under Chapter 6119 of the Ohio Revised Code. The District operates under the direction of a three member Board of Trustees whose membership is composed of one appointment from each of the participating political subdivisions; Sutton Township, Township of Syracuse, and Village of Racine. The membership elects a President, Vice-President, and a Secretary-Treasurer, who are responsible for fiscal control of the financial resources of the District.

To obtain financial information, write to the Syracuse-Racine Regional Sewer District at P.O. Box 201, Racine, Ohio 45771.

Note 12 – Subsequent Event

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. In addition, the impact on the Township's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Sutton Township
Meigs County
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2018

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Permanent	
Cash Receipts:				
Property and Other Local Taxes	\$53,169	\$93,692	\$0	\$146,861
Intergovernmental	26,178	113,291	0	139,469
Earnings on Investments	233	66	0	299
Miscellaneous	2,035	861	0	2,896
Total Cash Receipts	81,615	207,910	0	289,525
Cash Disbursements:				
Current:				
General Government	46,845	1,898	0	48,743
Public Safety	502	56,502	0	57,004
Public Works	4,431	125,299	0	129,730
Health	0	20,328	0	20,328
Human Services	0	3,801	0	3,801
Capital Outlay	5,500	35,537	0	41,037
Debt Service:				
Redemption of Principal	0	27,307	0	27,307
Interest and Other Fiscal Charges	0	823	0	823
Total Cash Disbursements	57,278	271,495	0	328,773
Total Cash Receipts Over (Under) Cash Disbursements	24,337	(63,585)	0	(39,248)
Other Financing Sources (Uses):				
Transfers In	0	5,338	0	5,338
Transfers Out	0	(5,338)	0	(5,338)
Sale of Capital Asset	0	18,000	0	18,000
Total Other Financing Sources (Uses):	0	18,000	0	18,000
Special Items	0	1,459	0	1,459
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Uses	24,337	(44,126)	0	(19,789)
Fund Cash Balances, January 1	(26,875)	136,633	4,383	114,141
Restricted for:				
Cemetery	0	38,179	0	38,179
Road and Bridge Maintenance and Improvements	0	42,429	0	42,429
Committed	0	11,899	0	11,899
Nonspendable	0	0	4,383	4,383
Unassigned (Deficit)	(2,538)	0	0	(2,538)
Fund Cash Balances, December 31	(\$2,538)	\$92,507	\$4,383	\$94,352

Sutton Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Sutton Township, Meigs County, Ohio (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 and fire protection services. The Township contracts with the Village of Syracuse, the Village of Racine, and the Village of Bashan to provide fire protection services.

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Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

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Cemetery Endowment Fund The cemetery endowment fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted for the general maintenance and upkeep of the Township's cemetery.

Sutton Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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. Appropriations lapse at year-end.

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

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

A summary of 2018 budgetary activity appears in Note 4.

Deposits

The Township accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

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

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.

Fund Balance

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

Sutton Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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.

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.

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.

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.

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.

Note 3 - Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriations in the General, Gas Tax, and Cemetery Funds at December 31, 2018. Contrary to Ohio law, appropriations exceed estimated resources in the General Fund at December 31, 2018. Additionally, contrary to Ohio law, the Township failed to properly certify the availability of funds for all expenditures tested.

Note 4 - Budgetary Activity

Budgetary activity for the years ending December 31, 2018 as follows:

Fund Type	<u>2018 Budgeted vs. Actual Receipts</u>		
	Budgeted Receipts	Actual Receipts	Variance
General	\$47,207	\$81,615	\$34,408
Special Revenue	<u>220,756</u>	<u>232,707</u>	<u>11,951</u>
Total	<u>\$267,963</u>	<u>\$314,322</u>	<u>\$46,359</u>

Sutton Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 4 - Budgetary Activity (Continued)

Fund Type	<u>2018 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$54,584	\$57,278	(\$2,694)
Special Revenue	<u>215,785</u>	<u>276,833</u>	<u>(61,048)</u>
Total	<u>\$270,369</u>	<u>\$334,111</u>	<u>(\$63,742)</u>

Note 5 - Deposits

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

	<u>2018</u>
Demand Deposits	\$94,352

Deposits are insured by the Federal Depository Insurance Corporation.

Note 6 - Property Taxes

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

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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent, of their gross salaries and the Township contributed an amount equaling 14 percent, of participants' gross salaries. The Township has paid all contributions required through December 31, 2018.

Social Security

The Township's Fiscal Officer contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participant's gross salary. The Township has paid all contributions required through December 31, 2018.

Sutton Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 8 - Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in Traditional Pension Plan and Combined Plan was 0 percent during the calendar year 2018.

Note 9 - 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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2018, OTARMA retained \$350,000 for casualty claims and \$250,000 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, 2018:

	<u>2018</u>
Assets	<u>\$33,097,416</u>
Liabilities	<u>7,874,610</u>
Net Position	<u>\$25,222,806</u>

At December 31, 2018, the liabilities above include approximately \$7.9 million of estimated incurred claims payable. The assets above also include approximately \$7.2 million of unpaid claims to be billed to approximately 1,018 member governments in the future, as of December 31, 2018. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2019, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

Sutton Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 9 - Risk Management (Continued)

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

2019 Contributions
to OTARMA

\$6,596

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.

Note 10 - Debt

The Township obtained a promissory note through Farmers Bank and Savings Company on March 9, 2017 in the amount of \$31,741 to purchase a grader in the amount of \$23,500 and to pay off an existing loan at Home National Bank in the amount of \$7,862. This loan was paid off during 2018, and as of year-end the Township was not indebted to any financial institution.

Note 11 - Jointly Governed Organization

The Syracuse-Racine Regional Sewer District is a regional sewer district organized under Chapter 6119 of the Ohio Revised Code. The District operates under the direction of a three member Board of Trustees whose membership is composed of one appointment from each of the participating political subdivisions; Sutton Township, Township of Syracuse, and Village of Racine. The membership elects a President, Vice-President, and a Secretary-Treasurer, who are responsible for fiscal control of the financial resources of the District.

To obtain financial information, write to the Syracuse-Racine Regional Sewer District at P.O. Box 201, Racine, Ohio 45771.

Note 12 – Subsequent Event

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. In addition, the impact on the Township's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Note 13 – Deficit Fund Balance

At December 31, 2018, the Township had a deficit fund cash balance totaling \$2,538 in the General Fund. The Township's management is working to reduce the negative fund balance through limiting expenditures.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

Board of Trustees
Sutton Township
Meigs County
28180 Apple Grove Dorcas Road
Racine, Ohio 45771

We have audited 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, the financial statements of Sutton Township, Meigs County (the Township) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated May 18, 2020, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and responses as items 2019-001 and 2019-002 that we consider to be material weaknesses.

Sutton Township
Meigs County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Page 2

Compliance and Other Matters

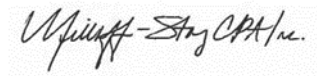
As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2019-003, 2019-004 and 2019-005.

Township's Responses to Findings

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Township's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

May 18, 2020

Sutton Township
Meigs County
Schedule of Findings and Responses
For the Years Ended December 31, 2019 and 2018

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2019-001

Material Weakness – Financial Reporting

A monitoring system by the Township should be in place to prevent or detect misstatements for the accurate presentation of the Township’s financial statements. During 2019 and 2018, the Township erroneously posted receipts and disbursements to the incorrect accounts and, in certain instances, funds. These items required reclassifications and adjustments to properly present the activity of the Township for both years. Fund balances were also not properly classified. Additionally, the notes to the financial statements were not properly prepared and required modifications. These errors were corrected in the accompanied financial statements.

We recommend the Township implement additional control procedures related to financial reporting that enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and related note disclosures.

Township Response:

The Fiscal Officer will monitor the line item expenditures and year-end fund balances, and prepare the footnotes to accurately present the information required.

Finding Number 2019-002

Material Weakness – Budgetary Information Within Accounting System

Accurate budgetary information within the Township’s accounting system is pertinent to ensure that the Township has accurate and complete information for decision-making processes. Instances were identified in both years of the audit period where budgetary allocations recorded within UAN were not in agreement with the Board-approved documents. The Township should review budgeting and accounting processes and implement the appropriate steps to ensure that budgeted information within the accounting system is in agreement with formal approved documents.

Township Response:

The Fiscal Officer will discuss this with Trustees and take steps to monitor this.

Finding Number 2019-003

Noncompliance Citation – Ohio Revised Code Section 5705.41(B)

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

The Township had expenditures in excess of appropriations in the Motor Vehicle and Gas Tax Funds at December 31, 2019 and in the General, Gas Tax, and Cemetery Funds at December 31, 2018. The Township should monitor financial activity to ensure their expenditures do not exceed the amounts appropriated.

Township Response:

The Fiscal Officer will monitor this closely.

Sutton Township
Meigs County
Schedule of Findings and Responses
For the Years Ended December 31, 2019 and 2018

Finding Number 2019-004

Noncompliance Citation – Ohio Revised Code Section 5705.41(D)(1)

Ohio Revised Code Section 5705.41(D)(1) states, in part, that no subdivision 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. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void and no warrants 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 subsections (D)(1) and (D)(3) of Section 5705.41, respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that 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 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 that 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 exceeding an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account and cannot extend beyond the end of the fiscal year. The blanket certificate 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. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

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.

For one hundred percent (100%) of the sample of transactions tested, the Township failed to properly encumber funds prior to ordering the expenditure of money.

Unless the exceptions noted above are used, prior encumbrance 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 that 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.

Sutton Township
Meigs County
Schedule of Findings and Responses
For the Years Ended December 31, 2019 and 2018

Finding Number 2019-004 (Continued)

Noncompliance Citation – Ohio Revised Code Section 5705.41(D)(1) (Continued)

We recommend the Township implement budgetary monitoring procedures to ensure that funds are properly and timely encumbered prior to commitment. When prior certification is not possible, “then and now” certification should be used, when applicable, in accordance with state law.

Township Response:

The Fiscal Officer and the Trustees will continue to work to correct this issue.

Finding Number 2019-005

Noncompliance Citation – Ohio Revised Code Section 5705.39

Ohio Revised Code Section 5705.39 states that total appropriations from each fund shall not exceed the total estimated resources.

The Township had appropriations in excess of estimated resources in the General Fund at December 31, 2018. Additionally, the Township had appropriations in excess of estimated resources in the Fire District Fund at December 31, 2019. The Township should implement the appropriate procedures, such as periodic comparisons of estimated resources to appropriations, to ensure that appropriations are limited to estimated resources so that improper spending does not occur.

Township Response:

The Fiscal Officer will monitor this closely.

Sutton Township
Meigs County
Schedule of Prior Audit Findings
For the Years Ended December 31, 2019 and 2018

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Finding 2017-001	Noncompliance – Ohio Revised Code Chapter 133	Yes	
Finding 2017-002	Noncompliance – Ohio Revised Code Section 5705.10(I)	No	Reissued in Management Letter
Finding 2017-003	Noncompliance Citation – Ohio Revised Code Section 5705.41(B)	No	Reissued as Finding 2019-003
Finding 2017-004	Noncompliance Citation – Ohio Revised Code Section 5705.41(D)	No	Reissued as Finding 2019-004
Finding 2017-005	Material Weakness – Budgetary Information Within Accounting System	No	Reissued as Finding 2019-002
Finding 2017-006	Material Weakness – Financial Reporting	No	Reissued as Finding 2019-001

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OHIO AUDITOR OF STATE
KEITH FABER



SUTTON TOWNSHIP

MEIGS 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 30, 2020**