



**SUGARCREEK TOWNSHIP
GREENE COUNTY**

REGULAR AUDIT

JANUARY 1, 1999 - DECEMBER 31, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**SUGARCREEK TOWNSHIP
GREENE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental and Fiduciary Fund Types – For the Year Ended December 31, 2000	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental and Fiduciary Fund Types – For the Year Ended December 31, 1999	4
Notes to the Financial Statements	5
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	13
Schedule of Findings	15
Schedule of Prior Audit Findings	19

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REPORT OF INDEPENDENT ACCOUNTANTS

Sugarcreek Township
Greene County
26 East Franklin Street
Bellbrook, Ohio 45305

To the Board of Trustees:

We have audited the accompanying financial statements of Sugarcreek Township (the Township) as of and for the years ended December 31, 2000 and 1999. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial 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. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 2000 and 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2001, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Jim Petro
Auditor of State

December 4, 2001

**SUGARCREEK TOWNSHIP
GREENE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>					Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Fiduciary Funds</u>	
Cash Receipts:						
Local Taxes	\$112,602	\$2,322,623				\$2,435,225
Intergovernmental	248,219	293,342				541,561
Charges for Services		41,404				41,404
Licenses, Permits, and Fees	11,270	31,292				42,562
Fines, Forfeitures, and Penalties	35,537	4,006				39,543
Earnings on Investments	223,549	8,150			\$14	231,713
Other Revenue	708	56,627	\$3			57,338
Total Cash Receipts	<u>631,885</u>	<u>2,757,444</u>	<u>3</u>		<u>14</u>	<u>3,389,346</u>
Cash Disbursements:						
Current:						
General Government	387,401	13,698				401,099
Public Safety	1,745	1,810,114				1,811,859
Public Works		431,966				431,966
Miscellaneous	929					929
Debt Service:						
Redemption of Principal			16,675			16,675
Capital Outlay	96,084	219,186		\$34,517		349,787
Total Cash Disbursements	<u>486,159</u>	<u>2,474,964</u>	<u>16,675</u>	<u>34,517</u>		<u>3,012,315</u>
Total Receipts Over/(Under) Disbursements	<u>145,726</u>	<u>282,480</u>	<u>(16,672)</u>	<u>(34,517)</u>	<u>14</u>	<u>377,031</u>
Other Financing Receipts/(Disbursements):						
Sale of Fixed Assets		906				906
Transfers-In	10,753	15,523	36,750	1,312,979		1,376,005
Transfers-Out	(1,160,479)	(215,526)				(1,376,005)
Total Other Financing Receipts/(Disbursements)	<u>(1,149,726)</u>	<u>(199,097)</u>	<u>36,750</u>	<u>1,312,979</u>		<u>906</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(1,004,000)</u>	<u>83,383</u>	<u>20,078</u>	<u>1,278,462</u>	<u>14</u>	<u>377,937</u>
Fund Cash Balances, January 1	<u>2,187,868</u>	<u>933,532</u>	<u>20,000</u>	<u>155,000</u>	<u>224</u>	<u>3,296,624</u>
Fund Cash Balances, December 31	<u>\$1,183,868</u>	<u>\$1,016,915</u>	<u>\$40,078</u>	<u>\$1,433,462</u>	<u>\$238</u>	<u>\$3,674,561</u>
Reserve for Encumbrances, December 31	<u>\$6,728</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$6,728</u>

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

**SUGARCREEK TOWNSHIP
GREENE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>					Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Fiduciary Funds</u>	
Cash Receipts:						
Local Taxes	\$100,683	\$2,147,233	\$136,675			\$2,384,591
Intergovernmental	202,340	306,320		\$466,980		975,640
Charges for Services		12,320				12,320
Licenses, Permits, and Fees	10,429	20,791				31,220
Fines, Forfeitures, and Penalties	32,830	5,913				38,743
Earnings on Investments	166,541	4,668			\$22	171,231
Other Revenue	3,913	18,233			25	22,171
Total Cash Receipts	<u>516,736</u>	<u>2,515,478</u>	<u>136,675</u>	<u>466,980</u>	<u>47</u>	<u>3,635,916</u>
Cash Disbursements:						
Current:						
General Government	303,005	8,213				311,218
Public Safety		1,598,451				1,598,451
Public Works		485,124				485,124
Debt Service:						
Redemption of Principal	103,211	123,079	119,800			346,090
Interest and Fiscal Charges		4,773				4,773
Capital Outlay	79,963	233,183		466,980		780,126
Total Cash Disbursements	<u>486,179</u>	<u>2,452,823</u>	<u>119,800</u>	<u>466,980</u>	<u>47</u>	<u>3,525,782</u>
Total Receipts Over/(Under) Disbursements	<u>30,557</u>	<u>62,655</u>	<u>16,875</u>		<u>47</u>	<u>110,134</u>
Other Financing Receipts/(Disbursements):						
Transfers-In		25,500		155,000		180,500
Transfers-Out	(70,000)	(110,500)				(180,500)
Other Sources		25,478				25,478
Total Other Financing Receipts/(Disbursements)	<u>(70,000)</u>	<u>(59,522)</u>		<u>155,000</u>		<u>25,478</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(39,443)	3,133	16,875	155,000	47	135,612
Fund Cash Balances, January 1	2,227,311	930,399	3,125		177	3,161,012
Fund Cash Balances, December 31	<u>\$2,187,868</u>	<u>\$933,532</u>	<u>\$20,000</u>	<u>\$155,000</u>	<u>\$224</u>	<u>\$3,296,624</u>
Reserve for Encumbrances, December 31	<u>\$61,359</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$61,359</u>

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

**SUGARCREEK TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

The Township's management believes these financial statements present all activities for which the Township is financially accountable except debt service funds maintained by outside custodians are not included in these financial statements. Assets held by custodians are described in Note 8 to the financial statements.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

The Township's depository accounts and investments are valued at cost. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

Police Fund

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

**SUGARCREEK TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fire Fund

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

Road and Bridge Fund

This fund receives property tax money to construct, maintain and repair Township roads and bridges.

Gasoline Tax Fund

This fund receives gasoline tax money to construct, maintain and repair Township roads.

3. Debt Service Funds

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

General Obligation Retirement Fund

This fund is utilized for repayment of Tax Anticipation Notes and other loans payable.

Sinking Fund

This fund is utilized for the repayment of debt for the public safety building.

4. Capital Projects Funds

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

Ohio Public Works Commission Fund

The Township received a grant which was paid directly to the vendor for construction on Clyo road project.

Fire Rescue/Tanker/Pumper Fund

This fund is used to set aside money for the purchase of a Fire Rescue/Tanker/Pumper for the Township.

Service Equipment Fund

This fund is used to set aside money for the purchase of necessary Service Equipment for the Township.

Township House Fund

This fund is used to set aside money necessary for the building of a new Township Building.

**SUGARCREEK TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Expendable Trust Fund

This fund is used to account for resources restricted by a legally binding trust agreement. The Township had the following expendable trust fund:

Police Crime Prevention Fund

A trust fund established to account for donations for police crime prevention.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2000 and 1999 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

**SUGARCREEK TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2000	1999
Demand deposits	\$3,674,561	\$3,296,624
Total deposits and investments	\$3,674,561	\$3,296,624

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$592,608	\$642,638	\$50,030
Special Revenue	2,738,332	2,773,873	19,108
Debt Service	21,286	36,753	15,467
Capital Projects	387,897	1,312,979	925,082
Expendable Trust	13	14	1
Total	\$3,740,136	\$4,766,247	\$1,026,121

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,436,224	\$1,653,366	\$782,858
Special Revenue	3,096,888	2,690,490	406,398
Debt Service	0	16,675	(16,675)
Capital Projects	141,711	34,517	107,194
Expendable Trust	912	0	912
Total	\$5,675,735	\$4,395,048	\$1,280,687

**SUGARCREEK TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$521,084	\$516,736	(\$4,348)
Special Revenue	2,622,760	2,566,456	(56,304)
Debt Service	171,411	136,675	(34,736)
Capital Projects	586,980	621,980	35,000
Expendable Trust	0	47	47
Total	<u>\$3,902,235</u>	<u>\$3,841,894</u>	<u>(\$60,341)</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,382,080	\$617,538	\$1,764,542
Special Revenue	3,137,464	2,563,323	574,141
Debt Service	117,490	119,800	(2,310)
Capital Projects	442,800	466,980	(24,180)
Expendable Trust	908	0	908
Total	<u>\$6,080,742</u>	<u>\$3,767,641</u>	<u>\$2,313,101</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Note Retirement fund by \$16,675 and in the Fire Tanker/Pumper/Rescue fund by \$34,516 for the year ended December 31, 2000. Additionally, the following budgetary expenditures exceed appropriation authority in the Gasoline Tax fund by \$11,451; General Note Retirement fund by \$2,309, and O.P.W.C. fund by \$24,180 for the year ended December 31, 1999. Furthermore, appropriations exceeded total certified resources for the following: Station Fire 1 fund by \$614,385; Dispatch Fire fund by \$44,949 and General Payroll Benefits fund by \$1,292 for the year ended December 31, 2000. For year ended December 31, 1999, the following appropriations exceed total certified resources: Road and Bridge fund by \$14,888 and General Note Retirement fund by \$85,063.

4. PROPERTY TAX

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

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

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

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

**SUGARCREEK TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

5. DEBT

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
Medic and Fire Engine Lease	\$79,610	5.22%
Fire Engine Lease	\$158,186	5.27%
Street Sweeper Lease	\$36,690	5.17%
Backhoe Lease	\$23,413	4.49%
Public Safety Building Lease	\$983,696	7.75%
Total	\$1,281,595	

The medic and fire engine lease, fire engine lease, street sweeper lease and backhoe lease were refinanced in 1998 with final payments due in 2001.

The public safety building lease was entered into in 1994. Final payment is due in 2009 which will require a balloon payment of \$477,274. The lease agreement for the public safety building lease required an escrow trust account to be established. This account is further described in Note 8.

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

Debt Service Requirements for the above lease purchase agreements and loan are scheduled as follows:

Year ending December 31:	Principal	Interest
2001	\$189,838	\$88,429
2002	92,499	78,876
2003	78,773	73,053
2004	84,262	67,251
2005	90,124	61,721
2006 – 2009	746,099	193,572
Total	\$1,281,595	\$562,902

6. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, members of OP&F participants contributed 10% of their wages. The Township contributed an amount equal to 24% of their wages to OP&F. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000. The Township has paid all contributions required through December 31, 2000.

**SUGARCREEK TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

7. RISK MANAGEMENT

A. Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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

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

8. DEBT SERVICE TRUST FUNDS

The Public Safety Building Lease Purchase Escrow agreement required the Township to establish an escrow account to be maintained by a custodian bank in the amount of \$106,400. The Township has established this fund. At December 31, 2000, the custodian held \$111,780.66 in Township assets. These assets, and the related receipts and disbursements, are not reflected in the accompanying financial statements.

9. CONTINGENT LIABILITIES

The Township is defendant in a lawsuit. Although the outcome of this suit is not presently determinable, management believes that the resolution of this matter will not materially adversely affect the Township's financial condition.

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STATE OF OHIO
OFFICE OF THE AUDITOR

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

Sugarcreek Township
Greene County
26 East Franklin Street
Bellbrook, Ohio 45305

To the Board of Trustees:

We have audited the accompanying financial statements of Sugarcreek Township (the Township) as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated December 4, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2000-40329-001 through 2000-40329-0006.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control financial reporting that, in our judgement, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2000-40329-007 through 2000-40329-009.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2000-40329-007 to be a material weakness.

Sugarcreek Township
Greene County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

Jim Petro
Auditor of State

December 4, 2001

**SUGARCREEK TOWNSHIP
GREENE COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2000-40329-001

Ohio Rev. Code § 5705.13 (C), states that a taxing authority of a subdivision, by resolution or ordinance, may establish a capital projects fund for the purpose of accumulating resources for the acquisition, construction, or improvement of fixed assets of the subdivision. For the purposes of this section, "fixed assets" includes motor vehicles. More than one capital projects fund may be established and may exist at any time. The ordinance or resolution shall identify the source of the money to be used to acquire, construct, or improve the fixed assets identified in the resolution or ordinance, the amount of money to be accumulated for that purpose, the period of time over which that amount is to be accumulated, and the fixed assets that the taxing authority intends to acquire, construct, or improve with the money to be accumulated in the fund.

The Township established the following funds in 1999: 4901, General Fund-Equipment; 4902, Fire Rescue/Tanker/Pumper; 4903, Police Units; 4904, Service Equipment; 4905, Police Building Addition; and 4906, Township House. Upon establishing these funds, the Township referenced to Resolution #98-08-03-08 (from 1998) which did not: (1) identify the asset(s) to be acquired, (2) the amount needed to be accumulated, (3) the period over which the amount would be accumulated, and (4) the source of the resources.

The Township should establish all funds within the guidelines of the Ohio Revised Code. Implementation of these procedures would allow for accurate information needed for the decision making process in the future use of the funds.

FINDING NUMBER 2000-40329-002

Ohio Rev. Code § 5705.39, requires that the appropriations from each fund should not exceed the total estimated revenues. Additionally, no appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The following funds had appropriations in excess of certified resources at December 31, 2000:

<u>Fund Type</u>	<u>Fund</u>	<u>Total Certified Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Special Revenue	Station 1 Fire	\$ 132,447	\$ 746,833	(\$614,385)
	Dispatch Fire	68,590	113,539	(44,949)
	General Payroll Benefits	8,935	10,228	(1,292)

The following funds had appropriations in excess of certified resources at December 31, 1999:

<u>Fund Type</u>	<u>Fund</u>	<u>Total Certified Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Special Revenue	Road & Bridge	\$ 619,442	\$ 634,330	(\$14,888)
Debt Service	General Note Retirement	32,426	117,490	(85,063)

**FINDING NUMBER 2000-40329-002
 (Continued)**

Other immaterial instances of appropriations in excess of certified resources also occurred in other funds as of December 31, 2000. Excesses were also noted at other intervals during the period.

The Township should develop and implement procedures to routinely monitor appropriations to prevent overspending of resources.

FINDING NUMBER 2003-40329-003

Ohio Rev. Code § 5705.38 and 5705.40, require the Board of Trustees, as the taxing authority, to approve, and therefore amend appropriations. The Township's permanent appropriations, as presented on the general ledger budgetary accounting system, did not always agree to the Board approved permanent appropriation resolution. As of December 31, 2000 the Road and Bridge fund had approved appropriations of \$583,386 but the ledger reported \$604,386, the Police District Fund had approved appropriations of \$110,883 and the ledger reported \$122,683, and the Debt Service fund type had no approved appropriations, but the ledger reported \$16,675.

The Township should record legally approved appropriations to the general ledger budgetary system. The Township's budgetary system should agree with total amended appropriations throughout the year to provide a more effective budgetary tool for both the Board and management to use in financial decision making.

FINDING NUMBER 2000-40329-004

Ohio Rev. Code § 5705.41 (B), requires that no subdivision or taxing unit expend money unless it has been appropriated.

The following funds had actual expenditures and outstanding encumbrances in excess of appropriations at December 31, 2000:

Fund Type	Fund	Actual Expenditures and Outstanding Encumbrances	Appropriations	Variance
Debt Service	General Note Retirement	\$ 16,675	\$ 0	\$(16,675)
Capital Project	Fire Tanker / Rescue/Pumper	34,516	0	(34,516)

The following funds had actual expenditures and outstanding encumbrances in excess of appropriations at December 31, 1999:

Fund Type	Fund	Actual Expenditures and Outstanding Encumbrances	Appropriations	Variance
Special Revenue	Gasoline Tax	\$ 60,951	\$ 49,500	(\$11,451)
Debt Service	General Note Retirement	119,799	117,490	(2,309)
Capital Project	O.P.W.C.	446,980	442,800	(24,180)

FINDING NUMBER 2000-40329-004
(Continued)

The Township should monitor appropriations and expenditures throughout the fiscal year and make budgetary amendments as needed to be in compliance with this Section of Ohio Revised Code and prevent overspending. Implementing these procedures will provide the Township with improved budgetary information for improved financial decision making.

FINDING NUMBER 2000-40329-005

Ohio Rev. Code § 5705.41 (C), requires that no expenditures of money be made except by a proper warrant drawn against an appropriate fund. The Township paid Salaries (and related expenses) for a police officer from the Road and Bridge fund instead of the Police fund. In 2000 the amount totaled \$21,043 (the Township discovered the error in September of 2000 and posted to the Police fund beginning then) and in 1999 the amount totaled \$52,780.

The above improper postings required the Police fund balance to be reduced by \$73,823 and the Road and Bridge fund balance to be increased by \$73,823. The accompanying financial statements have been adjusted for the error.

The Township should perform monthly payroll reconciliations and trace totals charged to each fund to the corresponding payroll records to determine the propriety of the allocation based upon the employee's duties.

FINDING NUMBER 2000-40329-006

Ohio Rev. Code § 5705.10, requires that all sources other than the general property tax, unless its use for a particular purpose is prescribed by law, be paid into the general fund. It furthermore requires that money paid into any fund shall be used only for the purpose for which the fund was established.

The Township directly posted interest to the Sinking Fund in 2000 of \$1,288 and in 1999 of \$520. In 2000, the Township posted \$1,484 of receipts to the General fund which were for the Gasoline fund and in 1999, the Township incorrectly posted \$3,015 to the Gasoline Tax fund which was for the Motor Vehicle fund. The Township also directly posted interest to the Capital Project funds in 2000 of \$14,918 and in 1999 of \$765.

The above improper postings required the following net fund balance adjustments:

- 1) Reduction of revenues to the Gasoline fund by \$1,531.
- 2) Increase of revenues to the General fund by \$16,007.
- 3) Increase of revenues to the Motor Vehicle fund by \$3,015
- 4) Reduction of revenues to the Sinking fund by \$1,808.
- 5) Reduction of revenues to the Capital Project fund by \$15,683.

The entries have been made to correct the accompanying financial statements.

The Township should post all revenues to the proper fund, as prescribed by the Ohio Revised Code to provide an accurate record of fund balances. Furthermore, if the Township chooses to post interest into the Sinking Fund or Capital Project funds (from the General Fund), it should do so through the regular transfer process.

FINDING NUMBER 2000-40329-007

The Township did not reconcile the bank depository account to its records in an accurate manner. Failure to accurately reconcile accounts resulted in errors and discrepancies being undetected. Fund balance adjustments were routinely posted but not resolved such as a posting to the general fund of \$14,737 on the December 31, 1999 reconciliation. Errors were also noted in the depositing of funds such as \$1,261.94 being deposited to the bank in May 1999 but not being posted to the books. Further, a deposit of \$4,210.78 was credited to the Township's bank account but not posted to the books or included as a reconciling item. Finally, the December 31, 2000 system reconciliation included \$3,411.22 listed as deposits in transit that actually were not deposits but was a "plug" amount to get the books to balance to the bank. These errors do not provide for accurate information to use in making financial decisions and result in increased audit fees.

To help provide for accurate financial reporting, the safeguarding of assets, and that adequate controls over reporting are employed, the Township should perform accurate and timely monthly reconciliations between the bank and the general ledger balance. All adjustments on the reconciliations should have supporting documentation and the reconciliation should be reviewed by someone independent of the financial record keeping process.

FINDING NUMBER 2000-40329-008

The Township had established an audit committee, whose function was to review the results of audits and make suggestions for improvement. However, the audit committee had never met. The audit committee should include professionals knowledgeable in the Township's operations and in accounting, such as attorneys or bankers. The audit committee should meet regularly (perhaps quarterly) to monitor the Township's financial reporting and control activities, and should meet with its independent auditors before and after each audit.

Implementation of these procedures may provide the Township with independent advice regarding financial records and internal control procedures and policies, as well as the selection of accounting policies, and possibly provide a liaison with auditors.

FINDING NUMBER 2000-40329-009

The Township Clerk and Trustees each had bonding insurance of \$5,000, which was not commensurate with the maximum amount of Township funds. The Township has more than \$3.6 million in its accounts at December 31, 2000.

The Township should routinely review the amounts of the officials' bonds to be commensurate with the maximum amount of funds in control of the Township officials at any particular time. Implementation of this procedure will improve the coverage and protection of Township assets.

**SUGARCREEK TOWNSHIP
GREENE COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1998-40329-001	Book to Bank reconciliations	No	Not Corrected



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SUGARCREEK TOWNSHIP

GREENE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 20, 2001**