



Dave Yost • Auditor of State

**SUTTON TOWNSHIP
MEIGS COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Sutton Township
Meigs County
P.O. Box 245
Syracuse, Ohio 45779-0245

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Sutton Township, Meigs County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012.

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 § 117.38 and Ohio Administrative Code § 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 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 opinion.

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

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2013 and 2012, or changes in financial position thereof, for the years then ended.

Basis for Qualified Opinion

The accompanying financial statements present unclassified receipts and disbursements for 2013. Ohio Administrative Code § 117-2-02(A) requires Townships to classify receipt and disbursement transactions.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Sutton Township, Meigs County, Ohio, as of December 31, 2013, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 permit, described in Note 1.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Sutton Township, Meigs County, Ohio, as of December 31, 2012, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 permit, described in Note 1.

Emphasis of Matter

As discussed in Note 9 to the financial statements, the Township has suffered recurring losses from operations and has fund cash deficiencies. Note 9 describes Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. This matter does not affect our opinion on these financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2014, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

Columbus, Ohio

December 3, 2014

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**SUTTON TOWNSHIP
MEIGS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Cash Receipts	\$ 49,065	\$ 199,861	\$	\$ 248,926
Cash Disbursements				
Cash Disbursements	65,100	187,665		252,765
<i>Excess of Receipts Over (Under) Disbursements</i>	(16,035)	12,196	0	(3,839)
<i>Fund Cash Balances, January 1</i>	(429)	18,562	4,383	22,516
Fund Cash Balances, December 31				
Nonspendable			4,383	4,383
Restricted		90,464		90,464
Committed		19,388		19,388
Unassigned (Deficit)	(16,464)	(79,094)		(95,558)
<i>Fund Cash Balances, December 31</i>	<u>\$ (16,464)</u>	<u>\$ 30,758</u>	<u>\$ 4,383</u>	<u>\$ 18,677</u>

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

**SUTTON TOWNSHIP
MEIGS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 29,214	\$ 82,074	\$	\$ 111,288
Intergovernmental	19,182	117,221		136,403
Earnings on Investments	134			134
Miscellaneous	2,304	3,756		6,060
<i>Total Cash Receipts</i>	<u>50,834</u>	<u>203,051</u>	<u>0</u>	<u>253,885</u>
Cash Disbursements				
Current:				
General Government	57,078			57,078
Public Safety		25,579		25,579
Public Works		125,221		125,221
Health		25,621		25,621
Capital Outlay		44,200		44,200
Debt Service:				
Principal		6,865		6,865
Interest		1,635		1,635
<i>Total Cash Disbursements</i>	<u>57,078</u>	<u>229,121</u>	<u>0</u>	<u>286,199</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(6,244)</u>	<u>(26,070)</u>	<u>0</u>	<u>(32,314)</u>
<i>Fund Cash Balances, January 1</i>	<u>5,815</u>	<u>44,632</u>	<u>4,383</u>	<u>54,830</u>
Fund Cash Balances, December 31				
Nonspendable			4,383	4,383
Restricted		54,856		54,856
Committed		17,810		17,810
Unassigned (Deficit)	(429)	(54,104)		(54,533)
<i>Fund Cash Balances, December 31</i>	<u>\$ (429)</u>	<u>\$ 18,562</u>	<u>\$ 4,383</u>	<u>\$ 22,516</u>

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

**SUTTON TOWNSHIP
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of 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. The Township contracts with the Village of Syracuse, the Village of Racine, and the Village of Bashan to provide fire protection services. The Township is involved with the Syracuse-Racine Regional Sewer District, which is defined as a jointly governed organization. Additional information concerning the jointly governed organization is presented in Note 7.

The Township participates in the Ohio Township Association Risk Management Authority public entity risk pool. Note 8 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

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.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 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).

For 2013, the Township did not classify its receipts and disbursements in the accompanying financial statements. This is a material departure from the requirements of the Ohio Administrative Code § 117-2-02(A).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

C. Deposits

The Township pools all available funds of the Township in an interest-bearing checking account and certificates of deposit. The Township values certificates of deposit at cost. Township has seven certificates of deposit.

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:

**SUTTON TOWNSHIP
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. 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 receives gasoline tax money for constructing, maintaining, and repairing Township roads.

3. 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 - This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

E. Budgetary Process

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

1. Appropriations

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

2. 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.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not use the encumbrance method of accounting.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

**SUTTON TOWNSHIP
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. 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:

1. Nonspendable

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

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

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

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

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

**SUTTON TOWNSHIP
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

2. Equity in Pooled Deposits

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

	2013	2012
Demand deposits	\$10,497	\$14,369
Certificates of deposit	8,180	8,147
Total deposits	\$18,677	\$22,516

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

3. Budgetary Activity

Budgetary activity for the years ending 2013 follows:

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$49,065	\$49,065
Special Revenue	0	199,861	199,861
Total	\$0	\$248,926	\$248,926

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$39,050	\$65,100	(\$26,050)
Special Revenue	219,333	187,665	31,668
Total	\$258,383	\$252,765	\$5,618

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$39,126	\$50,834	\$11,708
Special Revenue	220,882	203,051	(17,831)
Total	\$260,008	\$253,885	(\$6,123)

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$57,078	(\$57,078)
Special Revenue	36,255	229,121	(192,866)
Total	\$36,255	\$286,199	(\$249,944)

Contrary to Ohio law, appropriations exceeded estimated resources and budgetary expenditures exceeded appropriation authority in several funds at December 31, 2013 and 2012. Also contrary to Ohio law, the General Fund had a deficit balance of \$16,464 at December 31, 2013 and a deficit balance of \$429 at December 31, 2012 and the Gasoline Tax fund had a deficit balance of \$86,860 at December 31, 2013 and a deficit balance of \$54,104 at December 31, 2012

**SUTTON TOWNSHIP
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

4. Property Tax

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

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

5. Debt

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Home National Bank Note	\$22,301	4.5%

The Home National Bank Note was issued in 2011, in the amount of \$43,410. Of the \$43,410 in debt proceeds, \$28,000 was used to purchase a 2005 GMC Dump Truck and \$15,410 was used to pay off an outstanding 2003 Chevy Dump Truck Note. The Township makes an annual payment on the note of \$8,500. The note is collateralized by the dump truck purchased.

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

Year ending December 31:	Home National Bank Note
2014	\$8,500
2015	8,500
2016	8,500
Total	\$25,500

6. Retirement Systems

A. Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10%, respectively, of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

**SUTTON TOWNSHIP
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

6. Retirement Systems (Continued)

B. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the Public Employees Retirement System have an option to choose Social Security or the Public Employees Retirement System. As of December 31, 2013, the Township Fiscal Officer elected Social Security. The Township's liability is 6.2 percent of wages paid.

7. 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 Township 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, Dennie Hill, Secretary-Treasurer, at P.O. Box 201, Racine, Ohio 45771.

8. Risk Management

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. 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, 2013, 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.

**SUTTON TOWNSHIP
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

8. Risk Management (Continued)

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, 2013 and 2012 (the latest information available):

	<u>2013</u>	<u>2012</u>
Assets	\$34,954,286	\$34,771,270
Liabilities	8,486,363	9,355,082
Net Position	\$26,467,923	\$25,416,188

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

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.

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2012</u>
\$5,948	\$6,322

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.

9. Deficit Fund Balance

At December 31, 2013, the Township had deficit fund cash balances of (\$16,464) and (\$86,860), respectively, in the General Fund and Gasoline Tax Fund. The Township has attempted to reduce the negative fund balances through limiting expenditures. The Board of Trustees have not approved 2014 appropriation levels for all funds to indicate the Board of Trustees have adopted a balanced budget for 2014.

10. Contingent Liabilities

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Sutton Township
Meigs County
P.O. Box 245
Syracuse, Ohio 45779-0245

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Sutton Township, Meigs County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated December 3, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We qualified our opinion on the 2013 financial statement due to the omission of receipt and disbursement classifications required by Ohio Administrative Code § 117-2-02(A).

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. 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. We consider findings 2013-002 and 2013-009 through 2013-012 described in the accompanying Schedule of Findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2013-001 through 2013-012.

Entity's Response to Findings

The Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

December 3, 2014

**SUTTON TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-001

Noncompliance

Ohio Rev. Code §505.262(A) authorizes a board of township trustees to issue notes of the township to finance installment payment purchases of equipment, buildings, and sites for any lawful township purpose. All notes issues shall be pursuant to Ohio Revised Code § 133.20. However, as discussed in 1996 Op. Att’y Gen. No.1996-048, Ohio Rev. Code § 505.262(A) does not grant explicitly or implicitly the authority of the township to grant a security interest in the property purchased by the installment contract.

The Township’s debt outstanding at December 31, 2013 consisted of an installment loan with Home National Bank secured by the acquired dump truck. This type of debt is not authorized under the Ohio Revised Code.

We recommend the Township obtain debt funding only through authorized instruments.

Official’s Response: We will monitor in the future to make sure only allowable debt is obtained.

FINDING NUMBER 2013-002

Noncompliance and Material Weakness

Ohio Rev. Code § 733.28 requires the township fiscal officer to maintain the books of the Township and exhibit accurate statements of all monies received and expended. In, addition Ohio Administrative Code § 117-2-02(A) requires all local public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Fiscal Officer did not maintain receipt ledgers and appropriation ledgers for 2013. Further, the Cash Journal had errors in footing and crossfooting of balances in 2013. The Fiscal Officer did maintain receipt and appropriation ledgers in 2012; however, the Receipt Journal and Appropriation Ledger did not agree to the Cash Journal and there were errors in footing and crossfooting of balances.

We recommend the Fiscal Officer review the requirements of Ohio Rev. Code § 733.28, Ohio Administrative Code § 117-2-02(A), and the Township Officer’s Handbook as guidance in preparing and maintaining the required accounting records. These resources can be found on the Auditor of State’s website at: www.auditor.state.oh.us/LocalGovernment.

Official’s Response: We will attempt to correct.

FINDING NUMBER 2013-003

Noncompliance

Ohio Rev. Code § 5705.10(l) provides that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

**SUTTON TOWNSHIP
MEIGS COUNTY**
**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-003 (Continued)

Noncompliance – Ohio Rev. Code § 5705.10(I) (Continued)

At December 31, 2013, the Township's General Fund and Gasoline Tax Fund had negative fund balances of \$16,464 and \$86,860, respectively.

At December 31, 2013, the Township's General Fund and Gasoline Tax Fund had negative fund balances of \$430 and \$54,104, respectively.

We recommend the Board of Trustees contact the Auditor of State's Local Government Services division to initiate an analysis to determine whether the Township has fallen into fiscal caution, watch or emergency. The Auditor of State can review fiscal practices or conduct a fiscal analysis to determine the severity of the financial situation. We further recommend the Board of Trustees and Fiscal Officer monitor the fund balances and adjust the spending plan to try to eliminate the deficit balances either through decreased spending or allocating certain costs to other funds where such expenditures are allowable (i.e., certain road repair costs may be allocated to the Road and Bridge and Motor Vehicle License Tax Funds rather than the Gasoline Tax Fund).

Official's Response: We are aware of these issues and are trying to correct them.

FINDING NUMBER 2013-004

Noncompliance

Ohio Rev. Code § 5705.36 requires that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year.

The Township did not certify the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year to the County auditor for 2013. This eliminated a significant monitoring and budgeting tool available to the Board of Trustees.

We recommend the Board of Trustees certify the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year to the County auditor and obtain the resulting approved Certificate of Estimated Resources annually as required.

Official's Response: We will contact the County Auditor and make sure all required reports are approved and filed.

**SUTTON TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-005

Noncompliance

Ohio Rev. Code § 5705.38 provides that, on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

Further, Ohio Rev. Code § 5705.41(B) states no subdivision or taxing unit is to expend money unless it has been appropriated.

The Board of Trustees failed to pass an appropriation resolution for 2012. As a result, all expenditures in 2012 were made absent of the legal appropriation authority.

We recommend the Trustees adopt an appropriation measure prior to expending or obligating funds. If the Trustees want to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, they may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

Official's Response: We will contact the County Auditor and make sure all required reports are approved and filed.

FINDING NUMBER 2013-006

Noncompliance

Ohio Revised Code § 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources.

The Township could not provide evidence they adopted or filed a certificate of estimated resources for the year ended December 31, 2013. As a result, the 2013 appropriations exceeded estimated resources, (estimated receipts plus available fund balances) for all funds. Failure to certify estimated resources in or to ensure appropriations are within those resources can result in overspending and negative fund balances.

We recommend the Trustees and Fiscal Officer monitor appropriations to ensure they are within the estimated resources as filed with the budget commission.

Official's Response: We will contact the County Auditor and make sure all required reports are approved and filed.

FINDING NUMBER 2013-007

Noncompliance

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

**SUTTON TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-007 (Continued)

Noncompliance – Ohio Rev. Code § 5705.41(B) (Continued)

The Board of Trustees failed to pass an appropriation resolution for 2012. As a result, all expenditures in 2012 were made absent of the legal appropriation authority. Additionally, in the 2013, expenditures exceeded appropriations by \$26,050 in the General Fund and by \$30,973 in the Gasoline Tax Fund. Expending monies in excess of the adopted budgeted amount did result in deficit spending as well as deficit fund balances.

We recommend the Township monitor the spending levels throughout the year to ensure expenditures are within with budgeted amounts and investigate areas where unexpected variances are identified.

Official's Response: We will attempt to correct.

FINDING NUMBER 2013-008

Noncompliance

Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The Fiscal Officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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 § 5705.41(D)(1) and § 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the Fiscal Officer can certify that both at the time 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 the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the Fiscal Officer without a resolution or ordinance upon completion of the "then and now" certificate, provided 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 Officer may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by the Board adopted by a majority of the members of the Board against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any particular line item appropriation.

**SUTTON TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-008 (Continued)

Noncompliance - Ohio Rev. Code § 5705.41(D)(1) (Continued)

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.

The Fiscal Officer did not certify expenditures during 2013 or 2012 and there was no evidence the Township followed the aforementioned exceptions.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer 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.

We recommend the Fiscal Officer certify purchases to which § 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language § 5705.41(D) requires authorizing disbursements. We further recommend Council establish a maximum amount for blanket certificates through ordinance or resolution.

Official's Response: We will start using purchase orders.

FINDING NUMBER 2013-009

Noncompliance and Material Weakness

Ohio Admin. Code §§ 117-2-01(D)(3) and (5) provides that, when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The Fiscal Officer did not reconcile the bank statements to the cash journal monthly. Failure to perform regular reconciliations resulted in inaccurate and incorrect financial records and carrying fund balances.

We recommend the Fiscal Officer prepare monthly bank reconciliations in a timely manner so that reconciling items can be easily identified and corrections, if necessary, can be made in a timely manner. These reconciliations should be reviewed and approved by the Board of Trustees at monthly meetings.

Official's Response: We will attempt to correct this in the future.

**SUTTON TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-010

Noncompliance and Material Weakness

Ohio Admin. Code § 117-2-01(D)(4) provides that, when designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls. The size of the Township's staff did not allow for an adequate segregation of duties; the Fiscal Officer performed all accounting functions, including receipting, depositing, disbursing, and reconciling. It is, therefore, important that the Board of Trustees monitor financial activity closely.

For 2013 and 2012, the Board of Trustees review of financial reports and information was limited. The Fiscal Officer prepared a list of expenditures that were approved monthly. There was, however, no consistent Board signature or approval in the minute record to evidence Board of Trustee review of anything except expenditures. The Board of Trustees did not review receipt reports or any budget to actual information. Formal bank reconciliations were not prepared so there were no processes or procedures in place to ensure transactions were posted in the proper period. Further, no processes exist to identify unusual fluctuations between accounts or between fiscal years. In addition, we noted that estimated receipts and appropriations were not recorded in the manual ledger accounting system. This limits effective monitoring by the Board of Trustees and fiscal Officer.

We recommend the Fiscal Officer maintain records of budget and actual information in a format easily reviewable by the Board of Trustees. We further recommend the Board of Trustees review detailed financial reports, budget versus actual information, and bank reconciliations on a monthly basis. This review should be documented in the minute record and/or initialed and dated to evidence review. We also recommend the Board of Trustees make appropriate inquiries to help determine the continued integrity of financial information. Appropriate inquiries would include:

- Are current receipts sufficient to cover expenditures?
- Are receipts and expenditures in line with prior years?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood?
- Are anticipated receipts being received in a timely manner?

The information obtained as a result of such reviews and inquiries will provide important data necessary to properly manage the Township.

Official's Response: We will start monitoring better.

FINDING NUMBER 2013-011

Noncompliance and Material Weakness

Ohio Admin. Code § 117-2-02(A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

**SUTTON TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-011 (Continued)

Noncompliance and Material Weakness - Ohio Admin. Code § 117-2-02(A) (Continued)

For the period ending December 31, 2012, the amounts reported on the financial statements did not agree to the underlying cash journal amounts resulting in the following adjustments:

- General Fund: Tax Receipts increased by \$3,758 and General Government Expenditures increased by \$6,576.
- Motor Vehicle License Tax Fund: Intergovernmental Receipts increased by \$965 and Public Works expenditures decrease by \$302.
- Gasoline Tax Fund: Intergovernmental Receipts increased by \$9,258, Miscellaneous Receipts decreased by \$7,764 and Public Works expenditures increased by \$7,591.
- Road and Bridge Fund: Tax Receipts decreased by \$1,088 and Public Works expenditures increased by \$11,113.
- Cemetery Fund: Tax Receipts decreased by \$2,242, Miscellaneous Receipts increased by \$600 and Health expenditures increased by \$826.
- Fire Fund: Tax Receipts decreased by \$3,480 and Public Safety expenditures increased by \$1,538.

For the period ending December 31, 2012, the Cash Journal totals did not reconcile to the bank because of transactions that were not posted to the books but cleared the bank resulting in the following adjustments needed to reconcile:

- General Fund: General Government Expenditures increased by \$1,118.
- Gasoline Tax Fund: Public Works expenditures increased by \$3,054.
- Road and Bridge Fund: Public Works expenditures increased by \$20.
- FEMA Fund: Public Works expenditures increased by \$36,255.

For the period ending December 31, 2012, we also noted the following posting errors requiring financial statement adjustment:

- For the General Fund, interest, miscellaneous and intergovernmental receipts such as Local Governments Revenue Assistance were posted as Taxes and Taxes were posted as net rather than as gross with corresponding memo expenditures to report the deductions. Additionally, Local Government Revenue Assistance receipts belonging to this fund were improperly posted to other funds. As a result, Tax Receipts decreased by \$30,375 while interest, miscellaneous and intergovernmental receipts increase by \$19,182, \$134 and \$2,304, respectively. General Government expenditures also increased by \$36.
- For the Motor Vehicle License Tax Fund, an MVLT receipt belonging here was posted to the General Fund while a Local Government Revenue Assistance receipt belonging to the General Fund was posted here. This resulted in a net decrease of \$636 in Intergovernmental Receipts for this fund.
- For the Road and Bridge Fund, homestead and rollback receipts were either posted to the incorrect funds per the settlement sheets or posted to this fund as taxes or miscellaneous rather than intergovernmental receipts and Taxes were posted as net rather than as gross with corresponding memo expenditures to report the deductions. As a result, Tax Receipts decreased by \$672 while intergovernmental and miscellaneous receipts increase by \$2,769 and \$384, respectively. Public Works expenditures also increased by \$23.

**SUTTON TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-011 (Continued)

Noncompliance and Material Weakness - Ohio Admin. Code § 117-2-02(A) (Continued)

- For the Gasoline Tax Fund, intergovernmental receipts such as Local Government Revenue Assistance belonging to the General Fund and FEMA receipts belonging to the FEMA fund were improperly posted to the Gasoline Tax Fund. Additionally, interest payments of \$1,635 were improperly included with the principal payment expenditures. This resulted in a net decrease in Intergovernmental Receipts of \$9,303, a decrease in Principal Payments of \$1,635 and an increase in Interest Payments of \$1,635.
- For the Cemetery Fund, homestead and rollback receipts were either posted to the incorrect funds per the settlement sheets or posted to this fund as taxes rather than intergovernmental receipts and Taxes were posted as net rather than as gross with corresponding memo expenditures to report the deductions. As a result, Tax Receipts decreased by \$449 while intergovernmental receipts increase by \$5,410. Public Health expenditures also increased by \$34.
- For the Fire Levy Fund, homestead and rollback receipts were either posted to the incorrect funds per the settlement sheets or posted to this fund as taxes rather than intergovernmental receipts and Taxes were posted as net rather than as gross with corresponding memo expenditures to report the deductions. As a result, Tax Receipts decreased by \$558 while intergovernmental receipts increase by \$6,437. Public Safety expenditures also increased by \$41.
- For the FEMA Fund, intergovernmental receipts belonging here were improperly posted to the Gasoline Tax Fund. As a result, intergovernmental receipts increased by \$5,507.

For the period ending December 31, 2012, we noted the following reclassifications of fund balances under GASB 54:

- While General Fund appropriations exceed estimated receipts requiring the December 31, 2012 fund balance to be classified as Assigned rather than Unassigned, the adjusted General Fund Balance had a deficit fund balance of (\$409). Deficit balances are always classified as Unassigned.
- The fund balance of the Gasoline Tax Fund of \$36,937 was reclassified as Restricted rather than as Unassigned per GASB 54 and AOS Audit Bulletin 2011-004.
- Since the Road and Bridge Fund levy is within the 10 mill limitation, the fund balance of \$15,372 was reclassified as Committed rather than Restricted.
- The Cemetery and Fire Funds had deficit adjusted fund balances of \$105 and \$1,000, respectively, at December 31, 2012. As a result, both balances were reclassified as Unclassified rather than Restricted.

For the period ending December 31, 2013, the amounts reported on the financial statements did not agree to the underlying cash journal amounts resulting in the following adjustments (Note that the Township did not classify their receipts or expenditures for 2013):

- General Fund: Receipts increased by \$7,124 and Expenditures increased by \$5,175.
- Gasoline Tax Fund: Receipts increased by \$9,788, and Expenditures decreased by \$10,636.
- Road and Bridge Fund: Receipts increased by \$805 and Expenditures increased by \$9,882.
- Cemetery Fund: Receipts increased by \$1,825.
- Fire Fund: Receipts increased by \$2,155.

**SUTTON TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2013-011 (Continued)

Noncompliance and Material Weakness - Ohio Admin. Code § 117-2-02(A) (Continued)

For the period ending December 31, 2013, the Cash Journal totals did not reconcile to the bank because of transactions that were not posted to the books but cleared the bank resulting in the following adjustment needed to reconcile:

- General Fund: Receipts increased by \$2,840 and Expenditures increased by \$8,640.

For the period ending December 31, 2013, homestead and rollback and FEMA receipts were either posted to the incorrect funds per the settlement sheets and taxes were posted as net rather than as gross with corresponding memo expenditures to report the deductions. As a result, the following adjustments were made to the financial statement:

- General Fund: Receipts increased by \$5,752 and Expenditures increased by \$29.
- Gasoline Tax Fund: Receipts decreased by \$2,259.
- Road and Bridge Fund: Receipts decreased by \$6,255 and Expenditures increased by \$18.
- Cemetery Fund: Receipts increased by \$5,683 and Expenditures increased by \$33.
- Fire Fund: Receipts increased by \$7,275 and Expenditures increased by \$871.
- FEMA Fund: Receipts increased by \$2,259.

For the period ending December 31, 2012, we noted the following reclassifications of fund balances under GASB 54:

- Since the Road and Bridge Fund levy is within the 10 mill limitation, the fund balance of \$23,247 was reclassified as Committed rather than Restricted.

The following represents the cumulative effect of the adjustments listed above on the fund cash balances as of December 31, 2013:

Fund	Unadjusted 12/31/2013 Balance	Adjustments	Adjusted 12/31/2013 Balance
General Fund	\$ 3,870	\$ (20,334)	\$ (16,464)
Motor Vehicle License Tax	22,940	(636)	22,304
Gasoline Tax	(75,298)	(11,562)	(86,860)
Road and Bridge	23,247	(3,859)	19,388
Cemetery	11,344	10,577	21,921
Fire Fund	34,066	12,173	46,239
FEMA Fund		7,766	7,766

These misstatements were caused by a lack of management oversight. As a result, significant adjustments and reclassifications, with which the Township's management agrees, were made to the financial statements and ledgers, and are reflected in the accompanying financial statements.

We recommend the Fiscal Officer refer to Appendix A of the Township Handbook for proper classification and take additional care in posting transactions to the Township's ledgers in order to ensure the financial statements reflect the appropriate sources of the receipts and expenditures.

**SUTTON TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2013-011 (Continued)

Noncompliance and Material Weakness - Ohio Admin. Code § 117-2-02(A) (Continued)

Official's Response: We will review the Township Handbook and attempt to correct.

FINDING NUMBER 2013-012

Noncompliance and Material Weakness

Ohio Admin. Code § 117-2-02(A) requires public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Township failed to maintain support for a projected \$60,280 in disbursements during 2013 and 2012, including disbursements relating to insurance premiums and fire protection services. We were able to obtain assurances regarding these expenditures through alternate procedures. Failure to support these amounts prevented determination of proper public purpose or proper posting.

We recommend the Fiscal Officer monitor disbursements and ensure adequate supporting documentation is retained for all disbursements.

Official's Response: We will get support in the future.

**SUTTON TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	A material weakness for inaccurate posting of receipts and disbursements.	No	Not corrected. Repeated as Finding Number 2013-011.
2011-002	A material weakness lack of budgetary controls leading to noncompliance with Ohio Rev. Code §§ 5705.36, 5705.39, 5705.41(B) and 5705.41(D)	No	Noncompliance with Ohio Rev. Code § 5705.36 repeated as Finding 2013-004. Noncompliance with Ohio Rev. Code § 5705.39 repeated as Finding 2013-006. Noncompliance with Ohio Rev. Code § 5705.41(B) repeated as Finding 2013-007. Noncompliance with Ohio Rev. Code § 5705.41(D) repeated as Finding 2013-008.
2011-003	A material weakness/noncompliance with Ohio Rev. Code § 733.26 ledgers not agreeing to the cash journal and not incorporating budgetary amounts in the ledgers.	No	Not corrected. Repeated as Finding Number 2013-002.
2011-004	Noncompliance with Ohio Rev. Code § 5705.10(I) for negative fund cash balances.	No	Not corrected. Repeated as Finding Number 2013-003.
2011-005	A material weakness for failure to prepare accurate bank reconciliations.	No	Not corrected. Repeated as Finding Number 2013-009.

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Dave Yost • Auditor of State

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
DECEMBER 23, 2014**