



**Auditor of State
Betty Montgomery**

**SUGARCREEK TOWNSHIP
GREENE COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Sugarcreek Township
Greene County
P. O. Box 268
26 East Franklin Street
Bellbrook, OH 45305

To the Board of Trustees:

We have audited the accompanying financial statements of Sugarcreek Township, Greene County, (the Township), as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Government'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. The Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Government because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe that our audit provides a reasonable basis for our opinion.

As described 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, 2003 and 2002, 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 June 22, 2004 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.

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Sugarcreek Township
Greene County
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This report is intended solely for the information and use of the audit committee, management, the Board of Trustees 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 22, 2004

**SUGARCREEK TOWNSHIP
GREENE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<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	\$151,246	\$2,984,358				\$3,135,604
Intergovernmental	144,088	639,996				784,084
Special Assessments	3,464					3,464
Charges for Services		143,740				143,740
Licenses, Permits, and Fees	29,137	46,941				76,078
Fines, Forfeitures, and Penalties	40,345	2,350				42,695
Earnings on Investments	33,975	1,250		53	13	35,291
Other Revenue	50,510	30,440	28,800		100	109,850
Total Cash Receipts	<u>452,765</u>	<u>3,849,075</u>	<u>28,800</u>	<u>53</u>	<u>113</u>	<u>4,330,806</u>
Cash Disbursements:						
Current:						
General Government	368,196	14,396				382,592
Public Safety		2,492,334				2,492,334
Public Works		576,521				576,521
Capital Outlay	41,381	399,409		120,074		560,864
Total Cash Disbursements	<u>409,577</u>	<u>3,482,660</u>		<u>120,074</u>		<u>4,012,311</u>
Total Receipts Over/(Under) Disbursements	<u>43,188</u>	<u>366,415</u>	<u>28,800</u>	<u>(120,021)</u>	<u>113</u>	<u>318,495</u>
Other Financing Receipts and (Disbursements):						
Transfers-In		35,999	1,270	1,012		38,281
Advances-In	593,284	508,284				1,101,568
Transfers-Out	(15,476)	(22,805)				(38,281)
Advances-Out	(508,284)	(593,284)				(1,101,568)
Total Other Financing Receipts/(Disbursements)	<u>69,524</u>	<u>(71,806)</u>	<u>1,270</u>	<u>1,012</u>		
Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>112,712</u>	<u>294,609</u>	<u>30,070</u>	<u>(119,009)</u>	<u>113</u>	<u>318,495</u>
Fund Cash Balances, January 1	<u>1,180,961</u>	<u>1,357,776</u>	<u>129,729</u>	<u>132,425</u>	<u>1,105</u>	<u>2,801,996</u>
Fund Cash Balances, December 31	<u>\$1,293,673</u>	<u>\$1,652,385</u>	<u>\$159,799</u>	<u>\$13,416</u>	<u>\$1,218</u>	<u>\$3,120,491</u>
Reserve for Encumbrances, December 31	<u>\$18,473</u>	<u>\$4,618</u>				<u>\$23,091</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 FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<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	\$122,487	\$2,704,368				\$2,826,855
Intergovernmental	227,903	422,159			250	650,312
Special Assessments	1,407					1,407
Charges for Services		98,738				98,738
Licenses, Permits, and Fees	13,467	11,650				25,117
Fines, Forfeitures, and Penalties	30,186	4,365				34,551
Earnings on Investments	48,472	1,927			6	50,405
Other Revenue	39,939	18,842	43,200		600	102,581
Total Cash Receipts	<u>483,861</u>	<u>3,262,049</u>	<u>43,200</u>		<u>856</u>	<u>3,789,966</u>
Cash Disbursements:						
Current:						
General Government	340,960	19,967				360,927
Public Safety	5,000	2,225,382				2,230,382
Public Works		404,073				404,073
Capital Outlay	632,425	349,189				981,614
Total Cash Disbursements	<u>978,385</u>	<u>2,998,611</u>				<u>3,976,996</u>
Total Receipts Over/(Under) Disbursements	<u>(494,524)</u>	<u>263,438</u>	<u>43,200</u>		<u>856</u>	<u>(187,030)</u>
Other Financing Receipts and (Disbursements):						
Sale of Fixed Assets		4,745				4,745
Transfers-In		72,563	666	2,284	1	75,514
Advances-In	345,000	315,000				660,000
Transfers-Out	(72,845)			(2,669)		(75,514)
Advances-Out	(315,000)	(345,000)				(660,000)
Total Other Financing Receipts/(Disbursements)	<u>(42,845)</u>	<u>47,308</u>	<u>666</u>	<u>(385)</u>	<u>1</u>	<u>4,745</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(537,369)</u>	<u>310,746</u>	<u>43,866</u>	<u>(385)</u>	<u>857</u>	<u>(182,285)</u>
Fund Cash Balances, January 1	<u>1,718,330</u>	<u>1,047,030</u>	<u>85,863</u>	<u>132,810</u>	<u>248</u>	<u>2,984,281</u>
Fund Cash Balances, December 31	<u>\$1,180,961</u>	<u>\$1,357,776</u>	<u>\$129,729</u>	<u>\$132,425</u>	<u>\$1,105</u>	<u>\$2,801,996</u>
Reserve for Encumbrances, December 31	<u>\$219</u>	<u>\$5,550</u>				<u>\$5,769</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, 2003 and 2002**

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 road and bridge maintenance, cemetery maintenance, 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 9 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

Investments are reported as assets. 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.

Repurchase agreements are valued at cost. Money market mutual funds are recorded at share values reported by the mutual fund.

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:

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

**SUGARCREEK TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 and 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fire Fund - This fund receives property tax money for providing fire protection to the residents of the Township

3. Debt Service Fund

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 Fund:

Sinking Fund – This fund accumulates resources for the payment of debt on the public safety building.

4. Capital Project 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 project funds

Police Equipment Fund – This fund is utilized to set aside money for purchase of police vehicles for the Township.

Police Building Addition Fund – This fund is utilized to set aside money for additions to the public safety building.

5. Expendable Trust Fund

This fund is used to account for resources restricted. by legally binding trust agreements. The Township had the following significant fiduciary 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.

**SUGARCREEK TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 and 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law.

A summary of 2003 and 2002 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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a cash and investments 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:

	2003	2002
Demand deposits	\$2,737,396	\$2,494,219
Federal Home Loan Mortgage Note		97,494
Money Market Fund	100,285	2,791
Repurchase agreement	282,810	207,492
Total investments	383,095	307,777
Total deposits and investments	\$3,120,491	\$2,801,996

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

Investments: The Township's financial institution transfers securities to the Township's agent to collateralize repurchase agreements. The securities are not in the Township's name.

The Federal Home Loan Mortgage note was held in book entry form by Fifth Third Securities, Inc in the Township's name.

Investments in money market funds are not evidenced by securities that exist in physical or book-entry form.

**SUGARCREEK TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 and 2002
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002, were as follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$964,951	\$1,046,049	\$81,098
Special Revenue	3,873,225	4,393,358	520,133
Debt Service	33,800	30,070	(3,730)
Capital Projects	52,400	1,065	(51,335)
Fiduciary	20	113	93
Total	<u>\$4,924,396</u>	<u>\$5,470,655</u>	<u>\$546,259</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,072,377	\$951,810	\$1,120,567
Special Revenue	4,545,507	4,103,367	442,140
Debt Service	0	0	0
Capital Projects	182,769	120,074	62,695
Fiduciary	1,000	0	1,000
Total	<u>\$6,801,653</u>	<u>\$5,175,251</u>	<u>\$1,626,402</u>

2002 Budgeted vs Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$983,359	\$828,861	(\$154,498)
Special Revenue	3,511,831	3,654,357	142,526
Debt Service	30,500	43,866	13,366
Capital Projects	5,670	2,284	(3,386)
Fiduciary	222	857	635
Total	<u>\$4,531,582</u>	<u>\$4,530,225</u>	<u>(\$1,357)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,223,308	\$1,366,449	\$856,859
Special Revenue	3,842,405	3,349,161	493,244
Debt Service	0	0	0
Capital Projects	107,816	2,669	105,147
Fiduciary	248	0	248
Total	<u>\$6,173,777</u>	<u>\$4,718,279</u>	<u>\$1,455,498</u>

**SUGARCREEK TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 and 2002
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by 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.

5. DEBT

Debt outstanding at December 31, 2003, was as follows:

<u>Lease Purchases</u>	<u>Principal</u>	<u>Interest Rate</u>
Fire Engine	\$68,182	5.27%
Public Safety Building	852,283	7.75%
Total	<u>\$920,465</u>	

The fire engine lease was entered into July 15, 1998 and has semi-annual payments of \$18,167 with the final payment scheduled for November 20, 2005.

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 required an escrow trust account to be established. This account is further described in note 9.

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

	<u>Principal</u>	<u>Interest</u>
Year ending December 31:		
2004	\$84,262	\$67,584
2005	90,125	61,722
2006	59,603	55,908
2007	64,405	51,106
2008	69,594	45,916
2009	552,476	40,309
Total	<u>\$920,465</u>	<u>\$322,545</u>

**SUGARCREEK TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 and 2002
(Continued)**

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 postretirement 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 2003 and 2002, 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% (except for police which contributed 10.1%). The Township contributed an amount equal to 13.55% of their wages (except for police the rate was 16.7%). The Township has paid all contributions required through December 31, 2003.

7. RISK MANAGEMENT

Risk Pool Membership

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

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

**SUGARCREEK TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 and 2002
(Continued)**

7. 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 2002 and 2001 (the latest information available):

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$23,757,036	\$23,703,778
Liabilities	(9,197,512)	(9,379,003)
Retained Earnings	<u>\$14,559,524</u>	<u>\$14,324,775</u>

<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$6,596,996	\$5,011,131
Liabilities	(1,204,326)	(647,667)
Retained Earnings	<u>\$5,392,670</u>	<u>\$4,363,464</u>

Commercial Insurance

The Township also provides health insurance, dental and vision coverage to employees through private carriers.

8. DEBT SERVICE TRUST FUNDS

The Public Safety Lease Purchase Escrow Agreement required the Township to establish a debt service fund to be maintained by a custodian bank. The Township has established this fund. At December 31, 2003, the custodian held \$136,269 in Township assets. These assets, and the related receipts and disbursements, are not reflected in the accompanying financial statements.

9. SUBSEQUENT EVENTS

Resolution # 2004-01-07-10 resolved that Seasongood & Mayer, LLC and Peck, Shaffer & Williams LLP are authorized to prepare all documentation and legislation necessary to advance the Township's bond issue to refinance the Lease debt and finance of improvements to the Public Service Building. This financing structure will obligate General fund dollars, along with the proceeds from the current Sinking Fund and the Escrow Account Fund established as a provision of the current Lease. Also, this financing contemplates the annual allocation of funds realized as a result of approximately \$30,000, to be taken from payments received from a land lease associated with the cellular tower located on the Public Safety Building property.

Resolution # 2004-03-15-12 authorized the following contracts for improvements to the Public Service Building:

General Contractor, HVAC, Electrical Services	\$922,000
Plumbing Services	45,800
Fire Protection Services	31,000
Total	<u>\$998,800</u>

**SUGARCREEK TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 and 2002
(Continued)**

10. NONCOMPLIANCE

The Township did not comply with the requirements of the Ohio Revised Code regarding transfers and certification of funds. .



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Sugarcreek Township
Greene County
P.O. Box 268
26 East Franklin Street
Bellbrook, Ohio 45305

To the Board of Trustees:

We have audited the accompanying financial statements of Sugarcreek Township, Greene County (the Township) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated June 22, 2004. We noted that the Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. 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 2003-001 and 2003-002. We also noted an immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated June 22, 2004.

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 judgment, 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. A reportable condition is described in the accompanying schedule of findings as item 2003-003.

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**Internal Control Over Financial Reporting
(Continued)**

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, we do not consider the reportable condition described above to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 22, 2004.

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



Betty Montgomery
Auditor of State

June 22, 2004

**SUGARCREEK TOWNSHIP
GREENE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2003- 001

Noncompliance Citation – Certification of Funds

- *1. Ohio Rev. Code Section 5705.41(D)** 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 for 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 Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time 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 \$1,000 (HB 454, effective 4-7-03, increased the limit to \$3,000) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.
2. Blanket certificate – Fiscal officers may prepare "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current year. (HB 95, effective 9-25-03, eliminated the \$5,000 and 3 month restrictions). The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The Township did not properly certify the availability of funds prior to purchase commitment for 6% of the items tested and there was no evidence that the Township utilized the aforementioned exceptions. Failure to properly certify the availability of funds can result in misappropriation of monies and negative cash fund balances. 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.

FINDING NUMBER 2003- 001
(Continued)

To improve controls over disbursements and to help reduce the possibility that Township funds will exceed budgetary spending limitations, the Township's Clerk should certify that the funds are or will be available prior to the obligation. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village prior to commitment, and only when the requirements of Section 5705.41(D) are satisfied. The fiscal officer should then post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. When prior certification is not possible, "then and now" certification may be used.

FINDING NUMBER 2003- 002

2. Noncompliance Citation – Transfers

Ohio Rev. Code Sections 5705.14 through 5705.16 govern the use of transfers among funds, specifically Section 5705.14, which states that no transfer can be made from one fund of a subdivision to any other fund, except as follows:

- The unexpended balance in a bond fund that is no longer needed for the purpose for which such fund was created shall be transferred to the sinking fund or bond retirement fund from which such bonds are payable.
- The unexpended balance in any specific permanent improvement fund, other than a bond fund, after the payment of all obligations incurred in the acquisition of such improvement, shall be transferred to the sinking fund or bond retirement fund of the subdivision. However, if such money is not required to meet the obligations payable from such funds, it may be transferred to a special fund for the acquisition of permanent improvements, or, with the approval of the court of common pleas of the county in which such subdivision is located, to the general fund of the subdivision.
- The unexpended balance in the sinking fund or bond retirement fund of a subdivision, after all indebtedness, interest, and other obligations for the payment of which such fund exists have been paid and retired, shall be transferred, in the case of the sinking fund, to the bond retirement fund, and in the case of the bond retirement fund, to the sinking fund. However, if the transfer is impossible by reason of the nonexistence of the fund to receive the transfer, the unexpended balance may be transferred to any other fund of the subdivision with the approval of the court of common pleas of the county in which such division is located.
- The unexpended balance in any special fund, other than an improvement fund, may be transferred to the general fund or to the sinking fund or bond retirement fund after the termination of the activity, service, or other undertaking for which such special fund existed, but only after the payment of all obligations incurred and payable from such special fund.
- Money may be transferred from the general fund to any other fund of the subdivision by resolution of the taxing authority.
- In addition to the transfers listed above, which are authorized in Ohio Rev. Code Section 5705.14, the taxing authority of any political subdivision, with the approval of the Tax Commissioner and of the Court of Common Pleas, may transfer from one fund to another any public funds under its supervision, except the proceeds or balances of:

FINDING NUMBER 2003- 002
(Continued)

- loans,
- bond issues,
- special levies for the payment of loans or bond issues,
- the proceeds or balances of funds derived from any excise tax levied by law for a specified purpose, and
- the proceeds or balances of any license fees imposed by law for a specified purpose.

The Township transferred \$22,805 from the Fire Levy Fund to the FEMA Firefighters Assistance Grant Fund without approval of the Court of Common Pleas. Resolution # 2003-06-02-04 stated that these funds shall be used to provide the required 10% local match to a \$228,050 Federal Emergency Management Agency (FEMA) Firefighter's Assistance Grant. Although the funds appear to have been spent for a reasonable purpose, the transfer did not have the required approval.

In the future, the local share of federal grants can be transferred from the general fund, spent directly out of any special revenue fund or with the approval of the Court of Common Pleas transferred from any special revenue fund. The Trustees should monitor transfers for compliance with this section of the Ohio Revised Code to prevent illegal transfers.

Client Response: We have been advised that transfer in question was made per instructions received by the previous Clerk from FEMA. Any transfers of this nature will, in the future, be made in conformity with Ohio Auditor of State Bulletins pertaining to same.

FINDING NUMBER 2003- 003

Reportable Condition – Advances

A \$315,000 return of advance from the Road Fund to the General Fund and a \$265,000 advance from the General Fund to the Road Fund, approved by Resolution # 2003-04-21-13, were not recorded in the Township ledgers until 2004. An audit adjustment was made to adjust the 2003 financial statements.

All approved advances should be posted correctly and in a timely manner to accurately reflect the Township's financial status. Procedures should be developed and implemented to provide for these postings and include a periodic review by independent personnel for accuracy.

**SUGARCREEK TOWNSHIP
GREENE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-40329-001	ORC Sec. 117.28 - Finding for recovery against Kevin Holmes	NO	Recovered all but \$1,800.
2001-40329-002	ORC Sec. 149.35 - Destruction of supporting documentation for receipts	YES	
2001-40329-003	ORC Sec. 121.22 (C) - Minutes for two meetings not included in minute book	YES	
2001-40329-004	ORC Sec. 5705.41(D) - Failure to certify funds	NO	Repeated as finding 2003-001
2001-40329-005	ORC Sec. 5705.41(B) - Expenditures exceeded appropriations	YES	
2001-40329-006	Appropriations on the general ledgers did not agree with the appropriations approved by Trustees	YES	
2001-40329-007	Transfers and Advances not timely posted	NO	Repeated as finding 2003-003
2001-40329-008	Endorsement of incoming checks did not include Township's name or account number	YES	
2001-40329-009	Lack of segregation of duties for collecting zoning permits	YES	



**Auditor of State
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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
AUGUST 10, 2004**