

Sprigg Township

Adams County

January 1, 2008 through December 31, 2009

Years Audited Under GAGAS: 2008 and 2009

Caudill & Associates, CPA's

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www.caudillcpa.com



Mary Taylor, CPA

Auditor of State

Board of Trustees
Sprigg Township
3106 Cabin Creek Road
Manchester, Ohio 45144

We have reviewed the *Independent Auditor's Report* of Sprigg Township, Adams County, prepared by Caudill & Associates, CPA's, for the audit period January 1, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 1, 2010

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Adams County
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Independent Auditor's Report

Sprigg Township
Adams County
3106 Cabin Creek Road
Manchester, Ohio 45144

To the Township Board of Trustees:

We have audited the accompanying financial statements of Sprigg Township, Adams, (the Township) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2009 and 2008, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Sprigg Township, Adams, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

Sprigg Township
Adams County
Independent Auditor's Report

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2010, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Caudill & Associates, CPA's

Caudill & Associates, CPA's
June 21, 2010

Sprigg Township
Adams County
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2009

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 50,772	\$ 67,641	\$ 118,413
Intergovernmental	107,268	136,786	244,054
Earnings on Investments	850	478	1,328
Miscellaneous	5,050	78	5,128
	<u>163,940</u>	<u>204,983</u>	<u>368,923</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	43,771	22,738	66,509
Public Safety	35,819	-	35,819
Public Works	-	127,705	127,705
Health	9,000	-	9,000
	<u>88,590</u>	<u>150,443</u>	<u>239,033</u>
Total Cash Disbursements			
Total Receipts Over Disbursements	75,350	54,540	129,890
Fund Cash Balances, January 1	<u>10,896</u>	<u>60,503</u>	<u>71,399</u>
Fund Cash Balances, December 31	<u>\$ 86,246</u>	<u>\$ 115,043</u>	<u>\$ 201,289</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

Sprigg Township
Adams County
*Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances*
All Governmental Fund Types
For the Year Ended December 31, 2008

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	48,969	65,743	\$ 114,712
Intergovernmental	54,005	146,788	200,793
Earnings on Investments	927	613	1,540
Miscellaneous	-	2,750	2,750
	<u>103,901</u>	<u>215,894</u>	<u>319,795</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	48,662	28,565	77,227
Public Safety	39,416	0	39,416
Public Works	823	146,344	147,167
Health	9,000	-	9,000
	<u>97,901</u>	<u>174,909</u>	<u>272,810</u>
Total Cash Disbursements			
Total Receipts Over Disbursements	6,000	40,985	46,985
Other Financing Disbursements:			
Other Financing Uses	(12)	-	(12)
	<u>(12)</u>	<u>-</u>	<u>(12)</u>
Total Other Financing Disbursements			
Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	5,988	40,985	46,973
Fund Cash Balances, January 1	<u>4,908</u>	<u>19,518</u>	<u>24,426</u>
Fund Cash Balances, December 31	<u>\$ 10,896</u>	<u>\$ 60,503</u>	<u>\$ 71,399</u>
Reserve for Encumbrances, December 31	<u>\$106</u>	<u>\$822</u>	<u>\$928</u>

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

Sprigg Township
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 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 Sprigg Township, Adams County, (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general government services, including street maintenance services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements basis of accounting. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements adequately disclose material matters, as the Auditor of State prescribes or permits.

C. Cash Deposits

The Township funds are deposited in an interest-bearing checking account. All deposits are valued at cost.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds of 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 and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

Gasoline Tax Fund - This fund receives gasoline tax money for constructing, maintaining, and repairing Township roads.

Sprigg Township
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. 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.

Note 2 – Equity in Pooled Cash and Investments

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

	<u>2009</u>	<u>2008</u>
Demand Deposits	<u>\$201,289</u>	<u>\$71,399</u>

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Sprigg Township
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 3 – Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$146,622	\$163,940	\$17,318
Special Revenue	249,603	204,983	(44,620)
Total	\$396,225	\$368,923	\$(27,302)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$155,866	\$88,590	\$67,276
Special Revenue	311,758	150,443	161,315
Total	\$467,624	\$239,033	\$228,591

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$101,052	\$103,901	\$2,843
Special Revenue	227,984	215,894	(12,090)
Total	\$329,036	\$319,795	\$(9,247)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$105,966	\$98,019	\$7,947
Special Revenue	247,503	175,731	71,772
Total	\$353,469	\$273,750	\$79,719

Note 4 - Property Tax

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

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

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

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

Sprigg Township
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 5 – Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10% of their gross salaries, and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2009.

All volunteer fire department employees began contributing to Social Security in 2005. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2009, employees contributed 6.2% of their gross wages and the Township contributed an amount equal to 6.2% of participants' gross salaries through December 31, 2009.

Note 6 – Risk Management

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Public Official's liability

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Note 8 – Compliance

Contrary to Ohio Revised Code Section 5705.36, appropriations exceeded available resources in the Motor Vehicle License Tax fund by \$2,050, the Gas Tax Fund by \$7,529 and the Permissive Motor Vehicle fund by \$7,303. During 2009, appropriations exceeded available resources in the Motor Vehicle License Tax Fund by \$7,031, the Gas Tax Fund by \$27,838 and the Permissive Motor Vehicle Tax Fund by \$11,914.

Contrary to Ohio Revised Code Section 5705.39, appropriations exceeded estimated resources in the Road and Bridge Fund by \$1,647.

Contrary to Ohio Revised Code Section 5705.41(D), the Township did not properly certify the availability of funds prior to obligation in 84% of purchases tested in 2009 and 92% in 2008.



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

Sprigg Township
Adams County
3106 Cabin Creek Road
Manchester, Ohio 45144

To the Township Board of Trustees:

We have audited the financial statements of Sprigg Township, Adams, (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated June 21, 2010, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider significant deficiencies in internal control over financial reporting. We consider finding 2009-004 to be a significant deficiency. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Sprigg Township
Adams County

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

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2009-001 through 2009-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 21, 2010.

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

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

Caudill & Associates, CPA's

Caudill & Associates, CPA's
June 21, 2010

Sprigg Township
Adams County
Schedule of Findings and Responses
For the Years Ended December 31, 2009 and 2008

Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS

Finding Number 2009-001

Noncompliance Citation

Ohio Revised Code Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

During 2008, appropriations exceeded available resources in the Motor Vehicle License Tax fund by \$2,050, the Gas Tax Fund by \$7,529 and the Permissive Motor Vehicle fund by \$7,303. During 2009, appropriations exceeded available resources in the Motor Vehicle License Tax Fund by \$7,031, the Gas Tax Fund by \$27,838 and the Permissive Motor Vehicle Tax Fund by \$11,914. We recommend the Fiscal Officer monitor available resources in relationship to estimated resources and appropriations and file the necessary amended certificate with the County Auditor upon determination that available resources will be less than appropriations.

Township Response:

The Township will monitor budgetary compliance more closely.

Finding Number 2009-002

Noncompliance Citation - Proper Encumbrance of Funds

Ohio Revised Code Section 5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The statute provides the following exception to this basic requirement:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that she is completing her certification, 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 taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$3,000 for political subdivisions other than counties may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority.

Eighty-four percent of non-payroll disbursements tested in 2008 and ninety-two percent in 2009 were not encumbered prior to commitment in accordance with the Ohio Revised Code. We recommend the Township adopt the appropriate procedures to ensure that encumbrances are certified timely in accordance with the Ohio Revised Code, or that exceptions are utilized as appropriate.

Township Response:

The Township will monitor the proper certifying of expenditures more closely.

Sprigg Township
Adams County
Schedule of Findings and Responses
For the Years Ended December 31, 2009 and 2008

Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS(Cont.)

Finding Number 2009-003

Noncompliance Citation

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

During 2009, appropriations exceeded estimated resources in the Road and Bridge Fund by \$1,647. We recommend the Fiscal Officer more closely monitor appropriations in relationship to estimated resources.

Township Response:

The Township will monitor budgetary compliance more closely.

Finding Number 2009-004

Significant Deficiency - Misclassification of Receipts and Disbursements

The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 112, as amended by SAS No. 115, establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client's internal control over financial reporting. This standard requires the auditor to report *in writing* to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses. The Township erroneously posted several receipts and disbursements to incorrect line items and, in limited instances, improper funds. This required reclassifications and adjustments to properly present the activity of the Township in both years. We recommend the Township implement control procedures related to financial reporting that enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes.

Township Response:

Township officials will monitor the allocation of receipts, transfers and disbursements more closely to properly represent the activities of the Township. Township will code receipts in accordance with the Township Handbook published by the Auditor of State.

Sprigg Township
Adams County
Schedule of Prior Audit Findings
For the Years Ended December 31, 2009 and 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2007-001	Ohio Revised Code Section 5705.14 – Transfers	Yes	
2007-002	Ohio Revised Code Section 5705.36 – Appropriations in excess of available resources	No	Reissued as Finding 2009-001
2007-003	Ohio Revised Code Section 5705.39 – Appropriation in excess of estimated revenue	No	Reissued as Finding 2009-003
2007-004	Ohio Revised Code Section 5705.41(D) – Proper certification of funds	No	Reissued as Finding 2009-002
2007-005	Significant Deficiency – Payroll Procedures	Yes	
2007-006	Significant Deficiency – Bank Reconciliations	Yes	
2007-007	Significant Deficiency – Misclassification of Receipts and Disbursements	No	Reissued as Finding 2009-004
2007-008	Significant Deficiency – System Discrepancies	Yes	



Mary Taylor, CPA
Auditor of State

SPRIGG TOWNSHIP

ADAMS 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
SEPTEMBER 14, 2010**