

SYCAMORE TOWNSHIP
WYANDOT COUNTY, OHIO

FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

WOLF, ROGERS, DICKEY & CO.
Certified Public Accountants



Mary Taylor, CPA

Auditor of State

Board of Trustees
Sycamore Township
P.O. Box 70
Sycamore, Ohio 44882

We have reviewed the *Independent Auditors' Report* of Sycamore Township, Wyandot County, prepared by Wolf, Rogers, Dickey & Co., for the audit period January 1, 2007 through December 31, 2008. 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 Auditors' 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 Auditors' 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. Sycamore Township is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 15, 2010

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Sycamore Township
Wyandot County, Ohio

For the Years Ended
December 31, 2008 and 2007

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Independent Auditors' Report

Sycamore Township
Wyandot County, Ohio

To the Board of Trustees:

We have audited the accompanying financial statements of Sycamore Township, Wyandot County, Ohio (the Township), as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions 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 that 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 of Ohio 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 require us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State of Ohio 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, 2008 and 2007 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, 2008 and 2007, or their 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 of Sycamore Township, Wyandot County, Ohio as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 November 13, 2009, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, 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* and should be read in conjunction with this report in considering the results of our audit.

Wolf, Rogers, Dickey & Co.

Certified Public Accountants

November 13, 2009

**Sycamore Township
Wyandot County, Ohio
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>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash receipts:				
Local taxes	\$ 10,679	11,256	-	21,935
Intergovernmental	74,130	83,264	29,958	187,352
Charges for services	-	6,257	-	6,257
Earnings on investments	783	512	-	1,295
Other revenue	<u>207</u>	<u>-</u>	<u>-</u>	<u>207</u>
Total cash receipts	85,799	101,289	29,958	217,046
Cash disbursements:				
Current:				
General government	41,230	-	-	41,230
Public safety	-	8,671	-	8,671
Public works	-	150,390	29,958	180,348
Health	3,146	-	-	3,146
Capital outlay	<u>250</u>	<u>-</u>	<u>-</u>	<u>250</u>
Total cash disbursements	<u>44,626</u>	<u>159,061</u>	<u>29,958</u>	<u>233,645</u>
Total receipts (under) disbursements	41,173	(57,772)	-	(16,599)
Fund cash balances, January 1	<u>50,227</u>	<u>140,176</u>	<u>-</u>	<u>190,403</u>
Fund cash balances, December 31	\$ <u>91,400</u>	<u>82,404</u>	<u>-</u>	<u>173,804</u>

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

**Sycamore Township
Wyandot County, Ohio
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2007**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash receipts:			
Local taxes	\$ 10,196	11,159	21,355
Intergovernmental	25,350	104,610	129,960
Earnings on investments	560	674	1,234
Other revenue	<u>1,143</u>	<u>-</u>	<u>1,143</u>
Total cash receipts	37,249	116,443	153,692
Cash disbursements:			
Current:			
General government	51,595	-	51,595
Public safety	2,278	6,393	8,671
Public works	4,692	111,298	115,990
Health	2,594	-	2,594
Capital outlay	<u>-</u>	<u>2,392</u>	<u>2,392</u>
Total cash disbursements	<u>61,159</u>	<u>120,083</u>	<u>181,242</u>
Total receipts (under) disbursements	(23,910)	(3,640)	(27,550)
Other financing receipts (disbursements):			
Transfers out	(2,278)	-	(2,278)
Transfers in	<u>-</u>	<u>2,278</u>	<u>2,278</u>
Total other financing receipts	<u>(2,278)</u>	<u>2,278</u>	<u>-</u>
Total receipts and financing (under) disbursements	(26,188)	(1,362)	(27,550)
Fund cash balances, January 1	<u>76,415</u>	<u>141,538</u>	<u>217,953</u>
Fund cash balances, December 31	\$ <u>50,227</u>	<u>140,176</u>	<u>190,403</u>

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

Sycamore Township
Wyandot County, Ohio
Notes to the Financial Statements
December 31, 2008 and 2007

(1) Summary of Significant Accounting Policies

Description of the Entity

Sycamore Township, Wyandot County, Ohio (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 and cemetery operations. The Township also contracts with the Village of Sycamore for fire services.

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

Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State of Ohio, 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 of Ohio.

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.

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:

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.

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:

Sycamore Township
Wyandot County, Ohio
Notes to the Financial Statements, continued
December 31, 2008 and 2007

(1) Summary of Significant Accounting Policies, continued

Fund Accounting, continued

Motor Vehicle License Tax Fund – This fund receives vehicle registration tax money.

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

Road and Bridge Fund – This fund receives local real estate tax, property tax and other revenues collected to construct, maintain and repair Township roads.

Fire District Fund – This fund receives fire levy tax money for the funding of fire and EMS services provided to the residents of the Township.

Capital Projects Fund

This fund is used to account for the Ohio Public Works Commission share of specific road improvement projects (Issue 1).

Budgetary Process

The Ohio Revised Code (ORC) requires each fund to be budgeted annually.

Appropriations

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

Estimated Resources

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

Encumbrances

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

A summary of 2008 and 2007 budgetary activity appears in Note 3.

Sycamore Township
Wyandot County, Ohio
Notes to the Financial Statements, continued
December 31, 2008 and 2007

(1) Summary of Significant Accounting Policies, continued

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.

(2) Equity in Pooled Cash and Investments

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

	<u>2008</u>	<u>2007</u>
Demand deposits	\$ 173,804	190,403

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

(3) Budgetary Activity

Budgetary activity for the years ended December 31, 2008 and 2007 follows:

<u>2008 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 32,000	85,799	53,799
Special Revenue	108,666	101,289	(7,377)
Capital Projects	<u> -</u>	<u>29,958</u>	<u>29,958</u>
Total	\$ <u>140,666</u>	<u>217,046</u>	<u>76,380</u>

<u>2008 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 98,618	44,626	53,992
Special Revenue	232,451	159,061	73,390
Capital Projects	<u> -</u>	<u>29,958</u>	<u>(29,958)</u>
Total	\$ <u>331,069</u>	<u>233,645</u>	<u>97,424</u>

**Sycamore Township
Wyandot County, Ohio
Notes to the Financial Statements, continued
December 31, 2008 and 2007**

(3) Budgetary Activity, continued

<u>Fund Type</u>	<u>2007 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 36,000	37,249	1,249
Special Revenue	<u>70,791</u>	<u>118,721</u>	<u>47,930</u>
Total	\$ <u>106,791</u>	<u>155,970</u>	<u>49,179</u>

<u>Fund Type</u>	<u>2007 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 112,415	63,437	48,978
Special Revenue	<u>212,338</u>	<u>120,083</u>	<u>92,255</u>
Total	\$ <u>324,753</u>	<u>183,520</u>	<u>141,233</u>

(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 of Ohio, 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 payments, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property 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) Retirement Systems

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple-employer plan. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the ORC.

Sycamore Township
Wyandot County, Ohio
Notes to the Financial Statements, continued
December 31, 2008 and 2007

(5) Retirement Systems, continued

Contribution rates are also prescribed by the ORC. For 2008 and 2007, OPERS members contributed 10% and 9.5%, respectively of their gross salaries. The Township contributed an amount equal to 14% and 13.85%, respectively of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

(6) 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 Workers' 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. 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. APEEP provides supplemental risk coverage for claims exceeding OTARMA claims coverage.

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the OTARMA Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust APEEP's retained earnings, APEEP provides "excess of funds available" coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

**Sycamore Township
Wyandot County, Ohio
Notes to the Financial Statements, continued
December 31, 2008 and 2007**

(6) Risk Management, continued

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.

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

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, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$ 43,210,703	\$ 42,042,275
Liabilities	(13,357,837)	(12,120,661)
Net Assets	\$ <u>29,852,866</u>	\$ <u>29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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.

Contributions to OTARMA

2006	\$ 3,733
2007	2,972
2008	2,376

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary 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.

Sycamore Township
Wyandot County, Ohio
Notes to the Financial Statements, continued
December 31, 2008 and 2007

(7) Compliance

Contrary to Ohio law:

- In 2008, the Township did not obtain an amended certificate of estimated resources to reflect a shortfall of anticipated revenue to the Gasoline Tax Fund of \$7,333 and the Fire Levy Fund of \$328, which reduced available revenue in the funds below appropriations by the same amounts.
- The Township did not encumber funds prior to expenditure.
- The Township did not maintain adequate bond coverage for the Fiscal Officer for the term beginning April 1, 2008. ORC Section 507.03 requires a bond of \$85,000 based on the budget of the Township. The bond coverage in effect was \$60,000.
- Material reclassifications to the financial statements were necessary in order for them to be fairly stated.
- In 2008, the Township did not record all Ohio Public Works Commission (OPWC) activity for a road project that occurred. In addition, appropriations in the Capital Projects Fund were not sufficient to cover the entire amount of expenditures that OPWC made for this project.
- For 2007, beginning balances reported on the first amended certificate of estimated resources did not agree to financial reports filed with the Auditor of State for any fund except the General Fund.
- For 2007, appropriations exceeded estimated resources by \$5,625 in the Miscellaneous Special Revenue Fund and \$88 in the Fire Levy Fund. For 2008, appropriations exceeded estimated resources by \$16,391 in the General Fund.
- The Township has not adopted a public records policy as required by ORC Section 149.43.
- In both years, the Township charged 67% of Trustee salaries, OPERS, payroll taxes and insurance benefits to the Gasoline Tax Fund. Logs maintained by the Trustees did not support the percentage of time charged to the Gasoline Tax Fund and therefore, expenditures totaling \$7,038 and \$15,114 for 2008 and 2007, respectively, have been reclassified to the General Fund.
- In 2007, the Township expended \$1,278 of Gasoline Tax revenue contrary to the requirements of ORC Section 5735.27(A). This expenditure has been reclassified to the General Fund.
- In 2008, the Township expended \$52,745 to a certain vendor for road work. No documentation was maintained to indicate that the Township followed proper bidding procedures as required by ORC Section 5575.01.

Wolf, Rogers, Dickey & Co.

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**Independent Auditors' 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***

Sycamore Township
Wyandot County, Ohio

To the Board of Trustees:

We have audited the financial statements of Sycamore Township, Wyandot County, Ohio (the Township), as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated November 13, 2009, wherein we noted the Township followed accounting practices the Auditor of State of Ohio 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process or

report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We considered Findings 2008-01, 2008-03, 2008-05 and 2008-11 to be significant deficiencies in internal control over financial reporting as described in the accompanying schedule of findings.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider Finding 2008-01 to be a material weakness.

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 such an opinion. The results of our tests disclosed certain instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as Findings 2008-02 to 2008-04, 2008-06 to 2008-10 and 2008-12.

We noted certain noncompliance or other matters not requiring inclusion in this report that we reported to management of the Township in a separate letter dated November 13, 2009.

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

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

Wolf, Rogers, Dickey & Co.

Certified Public Accountants

November 13, 2009

**Sycamore Township
Wyandot County, Ohio
Schedule of Findings
December 31, 2008 and 2007**

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

Finding Number 2008-01
Significant deficiency/material weakness

The Ohio Township Handbook Chart of Accounts appendix details the revenue and expenditure codes, name of source information, and a brief description of the type of revenue or expenditure that relates to the code.

We noted the following errors in the Township prepared financial statements that required reclassification:

- In both years, in various funds, fire and EMS contract expenditures were coded to General Government instead of Public Safety. Reclassifications totaled \$8,671 for both years.
- In 2007 and 2008, road work expenditures of \$4,947 and \$199, respectively, were reclassified from Human Services to Public Works. An additional \$4,692 of road work expenditures were reclassified from Capital Outlay to Public Works in 2007.
- In 2008, a \$6,187 receipt for mowing county roads within the Township was reclassified from Intergovernmental to Charges for Services.

These adjustments are reflected in the audited financial statements. Although the misclassifications have been corrected under audit, annual financial statements available to the public until such time as the audit was completed were inaccurate.

Response by Township

No response received.

Finding Number 2008-02
Noncompliance citation

ORC Section 5705.36 provides that on or about the first day of each fiscal year, the fiscal officer shall certify to the County Auditor the total amount from all sources available for expenditures from each fund set up in the tax budget, with any balances that may exist at the end of preceding year. It further provides that encumbered but unexpended funds from the previous year shall not be included as available. This is generally referred to as the "first amended" certificate of estimated resources and shall serve as the basis of the annual appropriation resolution. ORC Section 5705.36 additionally provides that total appropriations made during the fiscal year from any fund shall not exceed the amount set forth as available for expenditure from such fund.

**Sycamore Township
Wyandot County, Ohio
Schedule of Findings, continued
December 31, 2008 and 2007**

Finding number 2008-02 (continued)
Noncompliance citation

For 2007, beginning balances on the first amended certificate did not agree to financial reports filed with the Auditor of State for any fund except the General Fund. In addition, appropriations exceeded estimated resources by \$5,625 in the Miscellaneous Special Revenue Fund and by \$88 in the Fire Levy Fund.

For 2008, appropriations exceeded estimated resources by \$16,391 in the General Fund.

Response by Township

No response received.

Finding Number 2008-03
Significant deficiency/noncompliance citation

The Township participated in an Ohio Public Works Commission (OPWC) Project in 2008. As part of the project, OPWC makes payments directly to the contractors for its share of the costs. The Township is to record memorandum receipts and disbursements on its books for expenditures made on behalf of the Township. The Township did not record the OPWC activity in its records for this project.

Although there is no effect on the cash balance of the Township, not recording all of this activity causes revenues and expenses to be understated as it relates to the activities of the Township. Adjustments of \$29,958 have been made to the financial statements to reflect the entire activity.

In addition, no appropriations were adopted for the Capital Projects Fund related to expenditures made by OPWC on behalf of the Township for the project. In violation of Ohio Revised Code (ORC) Section 5705.41(B), expenditures exceeded appropriations by \$29,958 in the Capital Projects Fund for 2008.

Response by Township

No response received.

**Sycamore Township
Wyandot County, Ohio
Schedule of Findings, continued
December 31, 2008 and 2007**

Finding Number 2008-04
Noncompliance citation

ORC Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury when such contract or order is made.

ORC Section 5705.41 also provides that if no certificate was furnished at the time that the contract was entered into, the fiscal officer may prepare a Then and Now Certificate stating (1) that there was at the time of the making of the contract and (2) at the time of the execution of this certificate a sufficient sum appropriated for the purpose of the contract in question in the treasury or in process of collection to the credit of the appropriate fund, free from previous encumbrances. During our testing of disbursements, we noted that funds were not encumbered prior to expenditure for sixteen of the forty-four disbursements tested for 2007 and 2008.

Response by Township

No response received.

Finding Number 2008-05
Significant deficiency

In 2007, appropriations entered into the Uniform Accounting Network (UAN) for the Miscellaneous Special Revenue Fund exceeded the adopted appropriation measure by \$7,303.

The UAN system has built-in safeguards to assist local governments in complying with budgetary requirements of the ORC; however, these safeguards cannot operate effectively when inaccurate appropriation and budgeted receipt data is input. In addition, inaccurate appropriation data in the UAN system could allow expenditures in excess of the actual appropriations lawfully adopted by the Township.

Response by Township

No response received.

**Sycamore Township
Wyandot County, Ohio
Schedule of Findings, continued
December 31, 2008 and 2007**

Finding Number 2008-06
Noncompliance citation

ORC Section 5705.36 states:

- (1) That an increased amended certificate must be obtained from the Budget Commission if the legislative authority intends to appropriate and expend revenue in excess of the estimated resources.
- (2) A reduced amended certificate must be obtained if the amount of the deficiency will reduce the available resources below the current level of appropriations.

In 2008, appropriations exceeded available resources by \$7,333 in the Gasoline Tax Fund and \$328 in the Fire Levy Fund. These deficits were caused by actual receipts falling below budgeted receipts by \$7,333 in the Gasoline Tax Fund and \$328 in the Fire Levy Fund. We recognize that the Township did not spend all appropriations and actual expenses did not exceed available resources, but ORC Section 5705.36 still requires an amended certificate of estimated resources to reflect the reduced receipts. Additionally, the Township should have reduced the appropriations below the estimated resources.

Response by Township

No response received.

Finding Number 2008-07
Noncompliance citation

ORC Section 507.03 prescribes minimum bond requirements for the fiscal officer for terms beginning after November 5, 2005 based on the annual budget of the Township. The Township's budget according to the official Certificate of Estimated Resources for 2008 is \$331,069, which would require a minimum bond of \$85,000 for the Fiscal Officer. The Fiscal Officer's bond coverage in effect was \$60,000.

Response by Township

No response received.

**Sycamore Township
Wyandot County, Ohio
Schedule of Findings, continued
December 31, 2008 and 2007**

Finding Number 2008-08
Noncompliance citation

Recent changes to ORC 149.43 require that public offices update public records policies. Specifically, by September 29, 2007, all public offices were required to adopt a public records policy that described how the public office will be responding to public records requests. The section also details three specific items that may not be included in the public records policy. Once adopted, the public office is required to post the policy via a poster in certain locations and include it in the entity's employee manual. The Township has not adopted the required public records policy.

Response by Township

No response received.

Finding Number 2008-09
Noncompliance citation

Effective October 19, 2004, Ohio Attorney General (OAG) Opinion 2004-36 requires Trustees to establish administrative procedures to document the proportionate amount charged to funds other than the General Fund based on the kinds of services rendered. In 2007 and 2008, the Township allocated 67 percent of Trustee salaries, OPERS, payroll taxes and insurance benefits to the Gasoline Tax Fund. Two of the Trustees maintained log books to document time spent on Township activities. The logs that were maintained supported a total charge to the Gasoline Tax Fund of 30% for 2007 and 56% for 2008.

As a result of the data in the log books, \$15,114 and \$7,038 of these expenditures for 2007 and 2008, respectively, were reclassified back to the General Fund.

Response by Township

No response received.

**Sycamore Township
Wyandot County, Ohio
Schedule of Findings, continued
December 31, 2008 and 2007**

Finding number 2008-10
Noncompliance citation

Ohio Revised Code (ORC) 5735.27(A) describes permitted uses of Gasoline Tax revenues as follows: to plan, construct, widen, reconstruct and maintain “public” highways, roads and streets. The funds may also be used for the purchase of road machinery and equipment and for the planning, construction and maintenance of suitable buildings for housing road machinery and equipment. During our testing of the Gasoline Tax Fund for 2007, we noted the following expenditure that does not meet the permitted uses described in the ORC; \$1,278 to purchase new carpet for the Township Hall meeting room, bathroom and storage room. This disbursement has been reclassified to an appropriate fund.

Response by Township

No response received.

Finding Number 2008-11
Significant deficiency

The Township has a credit card that is used occasionally, mainly for expenditures of the elected officials to attend the annual winter conference. The Township has not adopted a policy as recommended by the Ohio Compliance Supplement to identify authorized users, guidelines for allowable use/purchases, method of reimbursement (if personal use is allowed), specific unallowable uses, reporting, monitoring of use by appropriate levels of management, and other guidelines deemed appropriate by the legislative body. In addition, as was also noted in the previous audit, all receipts were not turned in to document the charges that appear on the statements.

Specifically, receipts for lodging charges totaling \$750 and \$881 for 2008 and 2007, respectively, were not available. Although the charges were indicated to be for lodging at the annual winter conference, actual receipts are important so that individual charges can be reviewed to ensure that all expenses were permitted by the ORC.

Response by Township

No response received.

**Sycamore Township
Wyandot County, Ohio
Schedule of Findings, continued
December 31, 2008 and 2007**

Finding Number 2008-12
Noncompliance citation

ORC Section 5575.01 requires competitive bidding for contracts for the maintenance or repair of roads where the amount involved exceeds \$45,000. A township may participate in a joint purchasing program with another entity, including a contract awarded by another political subdivision. In such a case, the township is exempt from competitive bidding procedures if the other entity awarded the contract pursuant to a publicly-solicited request for proposals or competitive selection procedure. ORC Section 5575.02 further provides that if the project is undertaken by force account, competitive bidding is not required if the estimated cost is less than \$15,000 per mile.

In 2008, the Township paid \$52,745 to a company for road work. The project was not performed by force account. No evidence was found in the meeting minutes or otherwise that this work was competitively bid by the Township or that the Township participated in another entity's competitively bid contract.

Response by Township

The Township believed that it was complying with requirements of ORC Section 5575 in that the cost of the project did not exceed \$15,000 per mile.

**Sycamore Township
Wyandot County, Ohio
Schedule of Prior Audit Findings
December 31, 2008 and 2007**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding <u>No Longer Valid: Explain:</u>
2006-001	Recording Issue I activity	No	Reported as Finding Number 2008-03



Mary Taylor, CPA
Auditor of State

SYCAMORE TOWNSHIP

WYANDOT 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
MARCH 25, 2010**