

To: Sycamore Township Board of Trustees

October 8, 2020

From: Citizens' Finance Committee

The Citizen's Finance Committee has held several meetings since our formation in June 2020 to review and discuss the Township's current monthly financial reporting and the underlying accounting systems. The review included discussions with Mark Hurst, the Township's CPA; Rob Porter, the Township's Fiscal Officer; Debbie Campbell, the Township's Finance and Accounting Director and Ray Warrick, the Township's Administrator.

At our meeting on October 7, 2020 the Committee unanimously voted on two recommendations to be made to the Board of Trustees. Our findings and recommendations are presented below.

### **ACCOUNTING & FINANCIAL REPORTING**

The current level of monthly financial reporting to the Trustees and the residents is inadequate for a township with a \$40 million operating budget.

The BUCS accounting system currently in use:

- Capable of providing basic monthly financial reports, but they do not appear to be prepared, reviewed and disseminated on a regular basis. Certain reports are generally not reconciled to each other.
- The correct budgetary data does not appear to be included in the BUCS system (i.e., appropriations vs. budgeted expenses, County certified estimated revenues, etc.).
- Additional custom reports can and have been written for the Township by a consultant with BUCS. The custom reports have several shortcomings: added consulting expense to write the reports, not fully integrated into accounting system, reports can't capture data from prior periods, formatting is inconsistent and the reports will require modification as changes are made to the fund accounts.
- Not integrated into required standard reporting to the Ohio Auditor.
- A significant number of year-end adjustments have historically been required by the CPA to get the fund accounts into balance in preparation for the year end audit.
- During the year expenditures have exceeded appropriations in certain funds and certain fund balances are reported to be overdrawn.

UAN is an alternative accounting system:

- Widely used by OH townships.
- Developed and maintained by the Ohio Auditor.
- Integrated into required OH Auditor reporting.
- Flexible monthly financial reporting.
- Ability to put hard stops on spending in excess of appropriated amounts.
- Low-cost solution to improved accounting and reporting.

Other considerations:

- There may be other accounting systems available which have not been considered, but UAN is a proven and cost-effective alternative to BUCS.
- The historical financial data in the BUCS system may not be accessible if there is a conversion to UAN. Options to deal with this situation include migrating all or a portion (i.e., two or three years) of the historical financial data to the UAN system or maintaining BUCS for a limited period of time in order to access the historical financial data.
- The timing of the conversion from BUCS to UAN will be driven by the availability of resources at the Ohio Auditor's office, township administrative staff and temporary additional labor support.

**Recommendation:**

The Citizens Finance Committee recommends that the level of monthly financial reporting be significantly improved and that the most cost-effective way to achieve this result is to convert the accounting software from BUCS to UAN. Also, the correct budgetary information should be entered into the accounting system in order to improve financial controls.

**ANNUAL FINANCIAL STATEMENTS**

The Township has historically prepared its annual financial statements on the Regulatory basis. This is the lowest and most basic of the three levels of financial reporting allowed by the Ohio Auditor. Regulatory financial statements are prepared on a cash basis and contain only a basic cash flow statement and minimal footnote disclosures.

GASB 34 (GAAP Look-alike) financial statements are the second highest level of financial reporting, one step below full GAAP financial statements. GASB 34 financial statements include a Management Discussion & Analysis, a Statement of Net Assets which contains all the Township's assets and liabilities and additional footnote disclosures. The Committee believes that the additional financial statements and disclosures required by GASB 34 financial reporting is more appropriate for a township of our size and complexity and will increase financial transparency.

**Recommendation:**

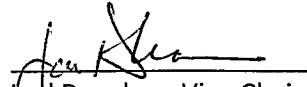
The Committee recommends that the Township move from Regulatory to GASB 34 annual financial reporting. The timing of the move to GASB 34 financial reporting may be influenced by the timing of the conversion to the UAN software and the availability of the Township's CPA to facilitate the gathering of the required additional financial information.

We look forward to the opportunity to meet with you and answer any questions you may have regarding our recommendations.

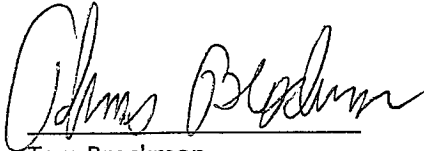
Respectfully submitted by:

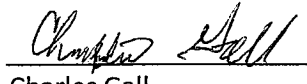
**Citizens' Finance Committee:**

  
Christopher Virgulak, Chair

  
Joel Dunahoe, Vice Chair

  
Steve Ginn

  
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