



Dave Yost • Auditor of State

**SUGAR CREEK TOWNSHIP
ALLEN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Sugar Creek Township
Allen County
3255 West State Road
Elida, Ohio 45807

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Sugar Creek Township, Allen County, Ohio (the Township) as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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

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

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Sugar Creek Township, Allen County as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2018, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

December 6, 2018

SUGAR CREEK TOWNSHIP, ALLEN COUNTY
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$102,867	\$41,179		\$144,046
Licenses, Permits and Fees	1,665	3,400		5,065
Intergovernmental	43,755	105,016	143,126	291,897
Miscellaneous	12,628	1,650		14,278
<i>Total Cash Receipts</i>	<u>160,915</u>	<u>151,245</u>	<u>143,126</u>	<u>455,286</u>
Cash Disbursements				
Current:				
General Government	137,722			137,722
Public Safety		38,972		38,972
Public Works	9,960	80,012		89,972
Health	9,971	2,511		12,482
Capital Outlay		35,781	143,126	178,907
<i>Total Cash Disbursements</i>	<u>157,653</u>	<u>157,276</u>	<u>143,126</u>	<u>458,055</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>3,262</u>	<u>(6,031)</u>	<u>0</u>	<u>(2,769)</u>
<i>Fund Cash Balances, January 1</i>	<u>19,311</u>	<u>71,583</u>	<u>53</u>	<u>90,947</u>
Fund Cash Balances, December 31				
Restricted		56,093	53	56,146
Committed		9,459		9,459
Assigned	22,573			22,573
<i>Fund Cash Balances, December 31</i>	<u>\$22,573</u>	<u>\$65,552</u>	<u>\$53</u>	<u>\$88,178</u>

See accompanying notes to the basic financial statements

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Sugar Creek Township, Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 the Sugar Creek Township, Allen County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the American and Monroe Township to provide fire services and to provide ambulance services.

The Township participates in a jointly governed organization and a public entity risk pool. Notes 7 and 8 to the financial statements provides additional information for these entities. The Township management believes these financial statements present all activities for which the Township is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. 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 include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permits.

C. Deposits

The Township deposits all available funds in a checking account.

D. Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

E. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Township classifies its funds into the following types:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Sugar Creek Township, Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2017**

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

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

Fire District Fund – This fund receives property tax money for to provide fire protection and emergency medical services for the Township.

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project fund:

Issue I Fund – This fund accounted for a grant from the State of Ohio spent on behalf of the Township by the County Engineer to resurface roads.

F. Budgetary Process

The Ohio Revised Code requires that each be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year.

A summary of 2017 budgetary activities appears in Note 3

G. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Sugar Creek Township, Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2017

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

H. Capital Assets

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

I. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**Sugar Creek Township, Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2017**

2. EQUITY IN POOLED DEPOSITS

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

	2017
Demand deposits	\$88,178

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$146,606	\$160,915	\$14,309
Special Revenue	140,922	151,245	10,323
Capital Projects	160,000	143,126	(16,874)
Total	\$447,528	\$455,286	\$7,758

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$181,796	\$157,653	\$24,143
Special Revenue	196,626	157,276	\$39,350
Capital Projects	160,000	143,126	\$16,874
Total	\$538,422	\$458,055	\$80,367

4. PROPERTY TAX

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

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

Sugar Creek Township, Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2017

5. RETIREMENT SYSTEM

The Township's Officials and employees 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 postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2017, OPERS members contributed 10% of their wages and the Township contributed to OPERS an amount equal to 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

6. POSTEMPLOYMENT BENEFITS

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent in calendar year 2016, and 1.0 percent during calendar year 2017.

7. RISK MANAGEMENT

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017.

Sugar Creek Township, Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

8. Jointly Governed Organization

The Lima-Allen County Regional Planning Commission, Allen County, (the Commission) was organized in 1964 under Section 713.21 of the Ohio Revised Code. The Commission is governed by a thirty-three member board. The Board consists of representatives from participating political subdivisions, the County Commissioners, and appointed citizens. The Commission serves the County by performing studies and making maps, preparing recommendations and reports relating to the physical, environmental, social, economic and governmental characteristics, functions and services of the County. Financial information can be obtained from Marlene Schumaker, Grant coordinator, 130 West Main St., Lima, Ohio 45801 or call 419-228-1836, or e-mail mschumaker@lacrpc.com.

SUGAR CREEK TOWNSHIP, ALLEN COUNTY
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$97,050	\$39,644		\$136,694
Charges for Services	1,108			1,108
Licenses, Permits and Fees	1,906	3,050		4,956
Intergovernmental	57,365	108,584		165,949
Miscellaneous	3,400			3,400
<i>Total Cash Receipts</i>	<u>160,829</u>	<u>151,278</u>	<u>0</u>	<u>312,107</u>
Cash Disbursements				
Current:				
General Government	117,186			117,186
Public Safety		38,679		38,679
Public Works	8,748	99,690		108,438
Health	6,679	1,531		8,210
<i>Total Cash Disbursements</i>	<u>132,613</u>	<u>139,900</u>	<u>0</u>	<u>272,513</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>28,216</u>	<u>11,378</u>	<u>0</u>	<u>39,594</u>
Other Financing Receipts (Disbursements)				
Other Financing Uses	<u>(44,296)</u>			<u>(44,296)</u>
<i>Net Change in Fund Cash Balances</i>	(16,080)	11,378	0	(4,702)
<i>Fund Cash Balances, January 1</i>	<u>35,391</u>	<u>60,205</u>	<u>53</u>	<u>95,649</u>
Fund Cash Balances, December 31				
Restricted		59,376	53	59,429
Committed		12,207		12,207
Assigned	19,311			19,311
<i>Fund Cash Balances, December 31</i>	<u>\$19,311</u>	<u>\$71,583</u>	<u>\$53</u>	<u>\$90,947</u>

See accompanying notes to the basic financial statements.

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**Sugar Creek Township, Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2016**

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 the Sugar Creek Township, Allen County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the American and Monroe Township to provide fire services and to provide ambulance services.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. 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 include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

C. Deposits

The Township invests all available funds of the Township in a checking account.

D. Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

The Township uses fund accounting to segregate cash and investments that are restricted as to use. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Township classifies its funds into the following types:

E. Fund Accounting

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Sugar Creek Township, Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

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

Fire District Fund – This fund receives property tax money for obtaining tax money for obtaining fire protection and emergency medical services for the Township.

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following Capital Projects Fund:

Permanent Improvement Fund – this fund accounts for the remaining balance from transfers for the construction of a Township maintenance building in 2001.

F. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. T

A summary of 2016 budgetary activities appears in Note 3.

G. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Sugar Creek Township, Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

H. Capital Assets

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

I. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**Sugar Creek Township, Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)**

2. EQUITY IN POOLED DEPOSITS

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

	2016
Demand deposits	\$90,947

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2016 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$144,060	\$160,829	\$16,769
Special Revenue	138,170	151,278	13,108
Total	\$282,250	\$312,107	\$29,877

2016 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$171,002	\$176,909	(\$5,907)
Special Revenue	177,398	139,900	37,498
Total	\$348,400	\$316,809	\$31,591

Receipts were recorded in the wrong fund which violated Ohio Revised Code Section 5705.10 (D). Disbursements were recorded in the wrong funds which violated Ohio Revised Code Section 5705.10(I).

4. PROPERTY TAX

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

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

Sugar Creek Township, Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

5. RETIREMENT SYSTEM

The Township's Officials and employees 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 postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2016, OPERS members contributed 10% of their wages and the Township contributed to OPERS an amount equal to 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

6. POSTEMPLOYMENT BENEFITS

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits

7. RISK MANAGEMENT

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

**Sugar Creek Township, Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)**

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016.

	<u>2016</u>
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$ 5,234,206</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

8. Jointly Governed Organization

The Lima-Allen County Regional Planning Commission, Allen County, (the Commission) was organized in 1964 under Section 713.21 of the Ohio Revised Code. The Commission is governed by a thirty-three member board. The Board consists of representatives from participating political subdivisions, the County Commissioners, and appointed citizens. The Commission serves the County by performing studies and making maps, preparing recommendations and reports relating to the physical, environmental, social, economic and governmental characteristics, functions and services of the County. Financial information can be obtained from Marlene Schumaker, Grant coordinator, 130 West Main St., Lima, Ohio 45801 or call 419-228-1836, or e-mail mschumaker@lacrpc.com.



Dave Yost • Auditor of State

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

Sugar Creek Township
Allen County
3255 West State Road
Elida, Ohio 45807

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Sugar Creek Township, Allen County, (the Township) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated December 6, 2018 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Entity's financial statements. We consider findings 2017-001 and 2017-002 described in the accompanying schedule of findings to be material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2017-003 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2017-002 and 2017-003.

Township's Response to Finding

The Township's response to finding 2017-001 identified in our audit is described in the accompanying schedule of findings. We did not subject the Township's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

December 6, 2018

**SUGAR CREEK TOWNSHIP
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

Material Weakness - Accuracy of Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The following reporting errors were identified:

- In 2016, deductions of prior year estate tax payments in the amount of \$44,296, were classified as general government disbursements. Since these deductions were the result of a prior year overpayment to the Township and not a payment related to operations, the classification other financing uses is more accurate;
- In 2017 and 2016, health department deductions from property tax receipts in the amount of \$9,971 and \$6,679, respectively, were classified as general government instead of health disbursements in the General Fund;
- In 2017, the Issue I project disbursements were classified as public works instead of capital outlay in the Motor Vehicle License Tax, Gasoline Tax and Road & Bridge Special Revenue funds and in the Issue 1 Capital Projects Fund in the amounts of, \$6,500, \$13,781, \$15,500, and \$143,126, respectively;
- In 2017, homestead and rollback receipts, in the amounts of \$13,917, \$2,201, and \$3,239, in the General Fund, and the Road and Bridge and Fire Special Revenue funds, respectively, were classified as property tax receipts instead of intergovernmental receipts;
- In 2017 and 2016, recycling grants from the North Central Ohio Solid Waste District in the amount of \$1,200, were classified as miscellaneous receipts instead of intergovernmental receipts in the Garbage and Waste Special Revenue Fund;
- In 2016, homestead and rollback receipts, in the amounts of \$20,305, \$2,987, and \$5,032, in the General Fund, and the Road and Bridge and Fire Special Revenue funds, respectively, were classified as property tax receipts instead of intergovernmental receipts;
- In 2016, a grant in the amount of \$8,500 from the Johnny Appleseed Metropolitan Park District, was classified incorrectly as miscellaneous receipts instead of intergovernmental receipts in the General Fund; and
- In 2016, prior audit period adjustments of \$13,442 in the General Fund; and \$611, \$7,431, \$5,000, and \$400, in the Motor Vehicle License Tax, Gasoline Tax, Fire, and Garbage and Waste Special Revenue funds, respectively, were recorded as transfers instead of fund balance adjustments.

The accompanying financial statements have been adjusted to correct these errors. Less significant errors that were identified were not listed above or adjusted on the financial statements.

The notes to the financial statements required revision to correct amounts reported as budgeted receipts and appropriations, to add the Ohio Public Employees Retirement System (OPERS) postemployment benefits disclosure, to add jointly governed entity, along with some other minor revisions.

**FINDING NUMBER 2017-001
(Continued)**

The errors identified above should be reviewed by the Fiscal Officer to help ensure that similar errors do not occur in subsequent years. Governmental accounting resources should be utilized such as those found on the Auditor of State website at <https://ohioauditor.gov/>. The Trustees and/or audit committee should be provided detailed receipt and disbursement reports that will allow for the detection of classification and fund errors. In addition, budget versus actual receipt and disbursement reports should be provided for review. If not practical to print, the reports should be provided electronically for review. Evidence of the review and approval of these reports should be documented on the reports reviewed and/or in the Minutes.

OFFICIALS' RESPONSE: The trustees discussed the issues. Receipt reports with classification and budgeted reports were provided by the fiscal officer and reviewed each month. The receipts are reviewed to be in the correct fund. Appropriate line items are an insignificant data collection for day-to-day use.

FINDING NUMBER 2017-002

Material Weakness / Noncompliance Citation

Ohio Rev. Code § 5705.10(D) states, in part, all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

In 2016, Gasoline Tax receipts in the amount of \$10,129 were recorded in the General Fund instead of the Gasoline Tax Fund.

Recording restricted receipts in the wrong fund increases the risk of the illegal spending of those receipts and reduces the available resources needed to meet obligations of the intended fund.

The accounting records and the accompanying financial statements have been adjusted to correct this recording error.

A periodic review of the accounting records should be performed by the Trustees and/or audit committee to help identify receipt recording errors.

OFFICIALS' RESPONSE: We did not receive a response from Officials to this finding.

FINDING NUMBER 2017-003

Significant Deficiency / Noncompliance Citation

Ohio Rev. Code Section 5705.10(I), states money paid into any fund shall be used only for the purposes for which such fund is established.

In 2016, disbursements in the amount of \$1,000 and \$4,750, were charged to the Motor Vehicle License Tax Fund and the Road & Bridge Fund, respectively, for roof repair expenses for the Township Park Building instead of the General Fund.

The failure to record disbursements in the correct fund not only had a material impact on the individual funds but it also resulted in the illegal disbursement of restricted money.

**FINDING NUMBER 2017-003
(Continued)**

The accounting records and the accompanying financial statements have been adjusted to correct this recording error.

The Trustees and/or audit committee should periodically review the accounting records to help ensure that disbursements are recorded in the correct fund.

OFFICIALS' RESPONSE: We did not receive a response from Officials to this finding.

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**SUGAR CREEK TOWNSHIP
ALLEN COUNTY**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2017 AND 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Material Weakness – Accuracy of Financial Reporting – receipt and fund balance classification errors, receipts recorded in the wrong funds. First reported in the 2011-2010 audit	Not fully corrected	The UAN Chart of Accounts will be utilized to post to proper accounts. Trustees will review and concur postings. Repeated as Findings 2017-001 and 2017-002

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Dave Yost • Auditor of State

SUGAR CREEK TOWNSHIP

ALLEN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 27, 2018**