



Dave Yost • Auditor of State

**SUGAR CREEK TOWNSHIP
PUTNAM COUNTY
DECEMBER 31, 2016 AND 2015**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Sugar Creek Township
Putnam County
20340 Road 18-S
Fort Jennings, Ohio 45844

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, Putnam County, Ohio (the Township) as of and for the years ended December 31, 2016 and 2015.

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 2 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, 2016 and 2015, 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, Putnam County, Ohio as of December 31, 2016 and 2015, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2017, 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

November 8, 2017

**SUGAR CREEK TOWNSHIP
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$39,106	\$111,665		\$150,771
Charges for Services	101	4,218		4,319
Licenses, Permits and Fees		2,974		2,974
Intergovernmental	29,487	128,331	\$14,000	171,818
Earnings on Investments	359	59		418
Miscellaneous	1,334	5,984		7,318
<i>Total Cash Receipts</i>	<u>70,387</u>	<u>253,231</u>	<u>14,000</u>	<u>337,618</u>
Cash Disbursements				
Current:				
General Government	81,717			81,717
Public Safety		20,516		20,516
Public Works		132,590		132,590
Health		10,075		10,075
Capital Outlay			14,000	14,000
Debt Service:				
Principal Retirement		12,094		12,094
Interest and Fiscal Charges		3,320		3,320
<i>Total Cash Disbursements</i>	<u>81,717</u>	<u>178,595</u>	<u>\$14,000</u>	<u>274,312</u>
<i>Net Change in Fund Cash Balances</i>	(11,330)	74,636		63,306
<i>Fund Cash Balances, January 1</i>	<u>43,639</u>	<u>312,056</u>	<u></u>	<u>355,695</u>
Fund Cash Balances, December 31				
Restricted		303,984		303,984
Committed		82,708		82,708
Assigned	32,309			32,309
<i>Fund Cash Balances, December 31</i>	<u>\$32,309</u>	<u>\$386,692</u>	<u></u>	<u>\$419,001</u>

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

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

Note 1- Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Sugar Creek Township, Putnam 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 and cemetery maintenance. The Township contracts with the Villages of Kalida, Columbus Grove, and Fort Jennings to provide fire protection.

Public Entity Risk Pool

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. OTARMA provides property and casualty coverage for its members. Note 10 to the financial statements provide additional information for this entity.

Note 2 - Summary of Significant Accounting Policies

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.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

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.

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 Fund:

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

Capital Project Fund This fund accounts for and reports 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 II Fund The Township received a grant from the state to resurface Township roads.

Basis of Accounting

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 Board 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).

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

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.

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund 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.

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.

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 2016 budgetary activity appears in Note 4.

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.

Accumulated Leave

In certain circumstance, 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.

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:

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

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.

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.

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

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

general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

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.

Note 3 – Compliance

Contrary to Ohio law, homestead and rollback payment of \$27,678, received in 2016, was improperly posted to the General Fund when it should have been posted to the following funds: \$10,829 to the Road and Bridge Fund, \$5,965 to the Road District Fund, \$9,079 to the Fire Fund, and \$1,805 to the Cemetery Fund.

Note 4 – Budgetary Activity

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$43,670	\$70,387	\$26,717
Special Revenue	225,500	253,231	27,731
Capital Projects	14,000	14,000	
Total	\$283,170	\$337,618	\$54,448

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$87,308	\$81,717	\$5,591
Special Revenue	533,142	178,595	354,547
Capital Projects	14,000	14,000	
Total	\$634,450	\$274,312	\$360,138

Note 5 – 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	\$419,001

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

Deposits

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

Note 6 – Property Taxes

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.

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

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

Note 7 – Retirement System

The Township’s employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is 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. OPERS members contributed 10%, of their gross salaries and the Township contributed an amount equaling 14%, of participants’ gross salaries. The Township has paid all contributions required through December 31, 2016.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include 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.

Note 9 - Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Open Ended Mortgage	\$73,430	4%

The Township entered into an open ended mortgage in 2003. The mortgage is for 20 years with the final payment due in 2022. There is no statutory authority for the Township to enter into this type of debt agreement.

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

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

Year ending December 31:	Principal	Interest
2017	\$12,601	\$2,813
2018	13,110	2,304
2019	13,640	1,774
2020	14,187	1,227
2021	14,764	650
2022	5,128	103
Total	<u>\$73,430</u>	<u>\$8,871</u>

Note 10 – 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 Worker’s 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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2016, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

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, 2016.

	2016
Assets	\$38,473,283
Liabilities	8,244,140
Net Position	\$30,229,143

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township’s share of these unpaid claims collectible in future years is approximately \$4,000.

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

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.

<u>2016 Contributions to OTARMA</u>
\$4,670

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's 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.

**SUGAR CREEK TOWNSHIP
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$37,933	\$106,374		\$144,307
Charges for Services	1			1
Licenses, Permits and Fees		6,482		6,482
Intergovernmental	23,010	102,490	\$29,000	154,500
Earnings on Investments	313	13		326
Miscellaneous	2,756	9,194		11,950
<i>Total Cash Receipts</i>	<u>64,013</u>	<u>224,553</u>	<u>29,000</u>	<u>317,566</u>
Cash Disbursements				
Current:				
General Government	87,826			87,826
Public Safety		19,044		19,044
Public Works		137,125		137,125
Health		23,501		23,501
Capital Outlay			29,000	29,000
Debt Service:				
Principal Retirement		11,660		11,660
Interest and Fiscal Charges		3,794		3,794
<i>Total Cash Disbursements</i>	<u>87,826</u>	<u>195,124</u>	<u>\$29,000</u>	<u>311,950</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(23,813)	29,429		5,616
Other Financing Receipts				
Sale of Capital Assets		6,000		6,000
<i>Net Change in Fund Cash Balances</i>	(23,813)	35,429		11,616
<i>Fund Cash Balances, January 1</i>	<u>67,452</u>	<u>276,627</u>		<u>344,079</u>
Fund Cash Balances, December 31				
Restricted		261,917		261,917
Committed		50,139		50,139
Assigned	43,639			43,639
<i>Fund Cash Balances, December 31</i>	<u>\$43,639</u>	<u>\$312,056</u>		<u>\$355,695</u>

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

**Sugar Creek Township
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2015**

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Sugar Creek Township, Putnam 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 and cemetery maintenance. The Township contracts with the Villages of Kalida, Columbus Grove, and Fort Jennings to provide fire protection.

Public Entity Risk Pool

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Note 2 – Summary of Significant Accounting Policies

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.

Fund Accounting

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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:

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

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

Capital Project Fund This fund accounts for and reports 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 II Fund The Township received a grant from the state to resurface Township roads.

Basis of Accounting

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 Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a

**Sugar Creek Township
Putnam County
Notes to the Financial Statements
For the Year Ended 31, 2015
(Continued)**

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.

Budgetary Process

The Ohio Revised Code requires that each fund 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. 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 approve estimated resources.

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 2015 budgetary activity appears in Note 4.

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.

Accumulated Leave

In certain circumstance, 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.

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:

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

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.

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.

**Sugar Creek Township
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)**

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.

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.

Note 3 – Compliance

Contrary to Ohio law, appropriations were not approved and resulted in improper amounts being posted to the accounting system for all funds for the year ended December 31, 2015. In addition, budgetary expenditures exceeded appropriations in the General and Special Revenue Funds by \$87,826 and \$195,124, respectively, for the year ended December 31, 2015.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$55,445	\$64,013	\$8,568
Special Revenue	234,912	230,553	(4,359)
Capital Projects	12,000	29,000	17,000
Total	\$302,357	\$323,566	\$21,209

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		\$87,826	(\$87,826)
Special Revenue		195,124	(195,124)
Capital Projects	\$29,000	29,000	
Total	\$29,000	\$311,950	(\$282,950)

Note 5- 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:

**Sugar Creek Township
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)**

	2015
Demand deposits	\$355,695

Deposits

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

Note 6 – Property Taxes

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.

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

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

Note 7 – Retirement System

The Township’s employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is 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. OPERS members contributed 10%, of their gross salaries and the Township contributed an amount equaling 14%, of participants’ gross salaries. The Township has paid all contributions required through December 31, 2015.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include 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.

Note 9 – Debt

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Open Ended Mortgage	\$85,506	5%

The Township entered into an open ended mortgage in 2003. The mortgage is for 20 years with the final payment due in 2022. There is no statutory authority for the Township to enter into this type of debt agreement.

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

**Sugar Creek Township
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)**

Year ending December 31:	Principal	Interest
2016	\$12,103	\$3,311
2017	12,601	2,813
2018	13,110	2,304
2019	13,640	1,774
2020	14,187	1,227
2021-2022	19,865	753
Total	\$85,506	\$12,182

Note 10 – 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 Worker’s 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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2015, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

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, 2015.

	<u>2015</u>
Assets	\$37,313,311
Liabilities	8,418,518
Net Position	\$28,894,793

At December 31, 2015 the liabilities above include approximately \$7.8 million of estimated incurred claims payable. The assets above also include approximately \$7.7 million of unpaid claims to be billed to approximately 989 member governments in the future, as of December 31, 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of

**Sugar Creek Township
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)**

December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$5,000.

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.

<u>2015 Contributions to OTARMA</u>
\$4,626

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's 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.



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
Putnam County
20340 Road 18-S
Fort Jennings, Ohio 45844

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, Putnam County, Ohio (the Township) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated November 8, 2017, 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.

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 Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 through 2016-004 to be material weaknesses.

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 2016-003 through 2016-006.

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 communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

November 8, 2017

**SUGAR CREEK TOWNSHIP
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Material Weakness

Fund Classification

Accurate financial reporting is the responsibility of the Fiscal Officer and is essential to ensure the information provided to the readers of the financial statements accurately reflects the Township's activity. The Township lacked a policy regarding financial review which contributed to the following errors:

- In 2015, principal retirement and interest and fiscal charges of \$11,660 and \$3,794, respectively, in the Gas Tax Fund was incorrectly classified as capital outlay.
- In 2015, payroll related items in the amount of \$5,950 in the General Fund, was incorrectly classified as other financing uses instead of general government.
- In 2016 and 2015, \$71,879 and \$50,139, respectively, in the Road and Bridge Fund was incorrectly classified as restricted fund balance instead of committed.
- In the 2015 budgetary note, budgeted and actual receipts in the Capital Projects Fund were understated by \$12,000. Actual disbursements in the Capital Projects Fund were also understated in the budgetary note by \$12,000.

As a result, the Township's financial statements did not correctly reflect the financial activity of the Township. The accompanying financial statements have been adjusted to correct these errors.

We recommend that the Fiscal Officer post all transactions in accordance with the guidance established by the Uniform Accounting Network manual. Further, the Township should adopt policies and procedures including a final review of the financial statements by the Fiscal Officer and Trustees to ensure that errors and omissions are detected and corrected.

FINDING NUMBER 2016-002

Material Weakness

Recording On Behalf of Monies

Sound accounting practices require money spent on behalf of the Township by other governments be posted to the Township's ledgers.

In 2015 the Township was the beneficiary of \$17,000, of Ohio Public Works Commission (OPWC) money sent directly to the vendor. The Fiscal Officer did not record this activity in the accounting system in 2015. In addition, appropriations for this activity were not recorded in 2015. Since the Township is required to record the appropriation they should also request the amount be included on the certificate of estimated resources received from the county budget commission to enhance the Township's monitoring of financial activity. These errors were not identified and corrected prior to the audit due to deficiencies in the Township's financial statement monitoring.

The accompanying financial statements and notes to the financial statements were adjusted to reflect the amounts in the Capital Projects Fund.

To account for the appropriations for the OPWC funds, we recommend the Township record the appropriation on the appropriations ledger and request the amount be included on the certificate of estimated resources.

FINDING NUMBER 2016-003

Noncompliance Citation and Material Weakness

Ohio Rev. Code § 5705.38(A) provides that on or about the first day of each fiscal year, the taxing authority of each subdivision or other taxing unit shall pass an appropriation measure, and thereafter during the year it may pass any supplemental appropriation measures as it finds necessary, based on the revised tax budget or the official certificate of estimated resources or amendments of the certificate. If it desires to postpone the passage of the annual appropriation measure until an amended certificate is received based on the actual balances, it may pass a temporary appropriation measure for meeting the ordinary expenses of the taxing unit until no later than the first day of April, of the current year, and the appropriations made in the temporary measure shall be chargeable to the appropriations in the annual appropriation measure for that fiscal year when passed.

The Township did approve temporary appropriations, but did not approve its annual appropriations for 2015 and posted appropriations into the accounting system as follows:

Fund	Posted Appropriations	Approved Appropriations	Variance
As of December 31, 2015:			
General Fund	\$122,887		\$122,887
Special Revenue Funds	506,225		506,225

This error was a result of inadequate policies and procedures in reviewing and approving appropriations. The notes to the financial statements were adjusted to properly account for this error. Using inaccurate information could lead the Board to make misinformed decisions. We recommend the Board approve an appropriations measure and the Fiscal Officer only post appropriations that have been formally adopted by the Board.

FINDING NUMBER 2016-004

Noncompliance Citation and Material Weakness

Ohio Rev. Code § 5705.10(C) requires that all revenue derived from a special levy be credited to a special fund for the purpose for which the monies were received. Furthermore, subsection (D) of the aforementioned section requires all revenue derived from a source other than general property tax which the law prescribes shall be used for a particular purpose, be paid into a special fund for such purpose.

Homestead and rollback payments of \$27,678, received in 2016, were improperly posted to the General Fund when they should have been posted to the following funds: \$10,829 to the Road and Bridge Fund, \$5,965 to the Road District Fund, \$9,079 to the Fire Fund, and \$1,805 to the Cemetery Fund.

The lack of a policy regarding financial review contributed to the above errors occurring without detection. The accounting records and financial statements were adjusted to reflect these misstatements.

Improper posting of revenues could cause management to draw incorrect conclusions regarding the Township's fiscal position. Financial activity should be properly posted in the accounting ledgers so that the Trustees can better assess whether financial goals are being met on an ongoing basis. As part of the monitoring process, Township trustees should review financial records to make sure that amounts are reflected in the appropriate funds and that there are sufficient funds to pay obligations.

FINDING NUMBER 2016-005

Noncompliance Citation

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Management did not sufficiently monitor budget versus actual reports to ensure disbursements did not exceed Board approved appropriations.

The following funds had disbursements in excess of appropriations at December 31, 2015:

Fund	Approved Appropriations	Expenditures	Variance
As of December 31, 2015:			
General Fund		\$87,826	(\$87,826)
Special Revenue Funds		195,124	(195,124)

This error was a result of inadequate policies and procedures in approving and reviewing budgetary information. Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices. The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations.

FINDING NUMBER 2016-006

Noncompliance Citation

Ohio Rev. Code § 505.262(A) authorizes a board of township trustees, by unanimous vote, to adopt a resolution allowing the township to contract for the purchase of equipment, buildings, and sites, or for the construction of buildings, for any lawful township purpose. A township is not authorized, however, to grant a lender or vendor a security interest in property purchased and financed by the board in accordance with the terms of this section. See OAG 96-048 for further elaboration.

Management did not properly consult with their legal counsel prior to entering into this debt agreement.

On August 27, 2004, the Township entered into a \$210,000 open-ended, 20-year mortgage for the construction of a Township building. This mortgage gave the lender a security interest in the property. As noted above, there is no statutory authority for issuing this type of debt.

We recommend the Township consult with legal counsel on how to correct this debt agreement.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

**SUGAR CREEK TOWNSHIP
PUTNAM COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Material weakness for lack of monitoring of financial transactions.	Not corrected. Reissued as Finding 2016-001 in this report.	The client declined to offer an explanation why the finding reoccurred. The Fiscal Officer plans to review future postings of financial activity to make sure they are properly reported in the accounting ledgers and financial statements.
2014-002	Material Weakness and Material Noncompliance Recording and Budgeting On Behalf Grants.	Not corrected. Reissued as Finding 2016-002 in this report.	The client declined to offer an explanation why the finding reoccurred. The Fiscal Officer plans to review future postings of financial activity to make sure they are properly reported in the accounting ledgers and financial statements.
2014-003	Material Weakness and Material Noncompliance Ohio Rev. Code § 5705.41(D)(1).	Corrective Action Taken and is Fully Corrected.	
2014-004	Material Noncompliance Ohio Rev. Code § 505.262(A).	Not corrected. Reissued as Finding 2016-006 in this report.	The client declined to offer an explanation why the finding reoccurred. The client does not plan to correct.



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SUGAR CREEK TOWNSHIP

PUTAM 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
NOVEMBER 28, 2017**